

For Official Use

SG/MRH(2008)1



Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

06-Nov-2008

English - Or. English

GENERAL SECRETARIAT

SG/MRH(2008)1
For Official Use

MAKING REFORM HAPPEN

PROJECT FRAMEWORK AND PLANS

Contact: Beatriz Pont, Project Co-ordinator, Tel: +33 1 45 24 18 24; email: beatriz.pont@oecd.org

JT03254632

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

English - Or. English

TABLE OF CONTENTS

Executive Summary3
 1. Background: why focus on the political economy of reform.....4
 2. The objectives and scope of the OECD Project.....5
 3. Making reform happen: the key issues6
 3.1. Institutions to support reform9
 3.2. The impact of reforms11
 3.3. The reform agenda: timing and interactions across different policy areas.....13
 3.4. The role of evidence and international organisations to sustain reforms14
 4. The methodology16
 4.1. An analytical strand.....17
 4.2. Member country support strand (action strand)17
 5. Timelines19
 6. Governance for effective knowledge mobilisation19
 7. Resources20
 BIBLIOGRAPHY21

Boxes

Box 1. The Political Economy of Reform: Ministers’ comments on the role of the OECD, 2007.....4
 Box 2. Defining political economy of reform.....7
 Box 3. A reflexion on achieving policy reform8

Executive Summary

Realising appropriate policy reforms can help unleash the potential needed to support growth and sustainable development across OECD countries. This means that the capacity of a government to reform becomes one of its main comparative advantages. But realising reforms is not easy. Evidence shows that the process of implementation is as important as the design of policies themselves. Even the most rational and economically well designed policies may fail to be implemented if the process of introducing reforms is not well paved.

This is why OECD Ministers encouraged the OECD in their 2006, 2007 and 2008 meetings to intensify its work on the political economy of reform (PER) and increase its support to governments in their reform efforts. The OECD has responded by launching a project on the Political Economy of Reform to a) identify and better understand the factors behind successful reforms and b) provide direct support to member countries in their domestic reform efforts. As a forum for governments to compare policy experiences, seek answers to common problems, identify good practices and work to coordinate domestic and international policies, the OECD can use its comparative advantages of sound data, evidence-based analysis and a wealth of reform experiences of member countries.

OECD countries are now focused on reforms in areas where the OECD has a wide knowledge base: fiscal and tax policy, social and welfare services, education and human capital development, enhancing labour market participation, health services, regulatory and competition policy, product markets, public administration and environmental sustainability. The project is looking to deploy its knowledge in these and other areas to help support reform efforts across countries.

This project aims to enhance OECD analysis and support of the factors that matter for making reform happen. It provides a structure to explore the factors that influence the design, decision-making process, adoption and implementation of policy reforms: a) *the existence of appropriate institutions to support reform from decision to implementation*; b) *the impact and reactions of those affected by the reform*; c) *the timing and interactions across different policy areas and*; d) *the role of evidence and international organisations to support reforms*.

The project consists of two mutually reinforcing strands: An analytical strand and an action strand. The analysis can help to gather knowledge to compare reform experiences across countries and sectors and at the same time enhance OECD capacity for direct support in reform efforts.

- **An analytical strand** to develop a report on options to realise policy reforms in priority areas and strengthen OECD analytical capacity on political economy of reform. Deliverables include a) a report on “*effective ways to realise policy reforms*” to explore the PER in priority areas; b) engagement with OECD Committees to discuss and encourage them to start new projects to explore the topic and integrate the analysis of reform realisation in their work; c) include work to support of implementation of policy recommendations; and c) international conferences and workshops.
- **A member country support strand (action strand)** to ensure adequate response to member countries’ requests for OECD to provide the evidence-base to inform domestic reform. It aims to respond to individual country requests by bringing its knowledge in different areas of specialisation together under specific products, such as publications, presentations, country visits by a high level representative of the OECD, seminars with key stakeholders, or direct engagement with countries to provide policy advice.

1. Background: why focus on the political economy of reform

1. The role of governments and policy makers is to promote growth, stability and improvements in living standards for their populations. Designing policies and implementing reforms to advance these objectives is at the heart of their job and their success. Therefore, a government's capacity to reform is one of its main comparative advantages, as implementing appropriate reforms will help to unleash the potential needed to support growth and sustainable development.

2. Yet, realising policy reforms is challenging. It is not only a matter of policy design, but much research evidence is showing that the process of introducing and implementing challenging policy reforms is as important as policy design itself. Even the most rational and economically well designed policies may fail to be implemented if the process of introducing the reform is not well paved. This is why OECD Ministers encouraged the OECD in their 2006, 2007 and 2008 meetings to intensify its work on the political economy of reform and increase its support to governments in their reform efforts (Box 1; OECD 2008a).

3. There are political and economic difficulties in implementing reforms successfully and on time. Not only are there challenges in choosing the suitable policy options, but policies may not be implemented as desired because of constraints in implementation, such as lack of public awareness or support needed to push reforms through. Some evidence has shown that reforms take time to materialise. In the case of pension reforms for example, some countries have indicated that it took 6 to 8 years for the complete reform process. In some cases, there are a few failures before a reform is finally approved. Other evidence has shown that periods of crisis are when reforms are more likely pushed through and supported. It is necessary to analyse the elements that can contribute to realise reforms without having to wait for crisis.

4. For this reason, the OECD has launched a horizontal project on the making reform happen (previously termed the political economy of reform) to a) identify and better understand the factors behind successful reforms and b) provide direct support to member countries in their domestic reform efforts. It looks beyond policy design to explore and help member countries to introduce reforms effectively. In addition to policy design choices, there are a number of elements to be considered: the existence of appropriate institutions to guide reform; the impact and potential reaction of those affected; when and how to introduce reforms; or the role of evidence and international organisations in sustaining reforms.

Box 1. The Political Economy of Reform: Ministers' comments on the role of the OECD, 2007

"Countries have much to learn from each others' experiences with reform, both successes and failures. Ministers highlighted the importance of adjustment assistance, as well as the need to maintain conditions for economic growth and job creation during the reform process. They also emphasised the need to reach out to a wider range of stakeholders and involve the social partners in reform efforts. They underlined the importance of the OECD's contribution to the design, implementation and political economy aspects of reform through its high-quality, evidence-based analysis and internationally comparable data."

Source: 2007 Ministerial Council Meeting Chair's Summary.

5. The OECD Project has been discussed in a series of OECD events. A progress report *Enhancing the OECD's Contribution to the Political Economy of Reform* (OECD, 2008b (C(2008)61/REV1), presented during the 2008 OECD Ministerial Council Meeting reviewed OECD's experience in this field and sketched out future work. In addition, current OECD work exploring the political economy of pension, labour market and product market reform in 10 countries is taking place under the aegis of the Economic and Development Review Committee (EDRC). The Network of Senior Members of Centres of

Government (CoG) has also made discussions on the political economy of reform central to their annual meetings.

6. Both of these OECD bodies (CoG and EDRC) have agreed to become advisors to the project in their recent meetings (September 2008)¹. At this time, they discussed and provided input on a draft of this document and also provided ideas on how the OECD can provide useful inputs for policy makers to improve knowledge on policy reform. They agreed that contextualisation is important, as political structures matter for the successful realisation of reforms, but agreed that common lessons can be extremely useful. Finally, they agreed that this topic deserves a more systematic treatment across the OECD, as the capacity to reform of a country is its comparative advantage, and the OECD can help enhance this capacity.

2. The objectives and scope of the OECD Project

7. The OECD has launched a horizontal project on the political economy of reform that aims to identify and better understand the factors behind successful reforms and provide direct support to member countries. Its long term objective is to mainstream both its analysis and its support to member countries across the organisation. As a forum for governments to compare policy experiences, seek answers to common problems, identify good practices and work to coordinate domestic and international policies, the OECD can contribute. Building on OECD's comparative advantages of sound data and evidence-based analysis and a wealth of reform experiences of member countries, the OECD can improve its understanding of factors behind successful and not-so-successful policy reforms and improve its support to member countries in this area.

8. This OECD activity aims to a) provide analysis on different approaches for effective policy reform in areas of OECD expertise and b) strengthen its support to countries in domestic reform processes. It is doing so by:

- (i) taking stock of and identifying OECD analysis and contributions to policy reform processes;
- (ii) facilitating exchanges among countries concerning lessons learned;
- (iii) identifying policy reform strategies for governments and policy makers to consider;
- (iv) enhancing services to support member countries in their reform efforts.

9. The project will:

- Adopt a broad concept of political economy of reform, looking at the different factors that contribute to making reforms successful.
- Provide a common framework for analysis of political economy concerns in different public policy areas.
- Build upon work already undertaken at the OECD across different Directorates. The project is horizontal in nature, and aims to bring OECD knowledge together to deploy it in a new and innovative way.

¹ The Network of Senior Members of Centers of Government (CoG) meeting in Mexico 26-27 September 2008 and the Economic Development Review Committee (EDRC) meeting in Paris 30 September 2008.

- Preserve OECD impartiality and independence. The OECD can provide the evidence base to support reforms in member countries based on its independent research and knowledge.

3. Making reform happen: the key issues

10. This section provides an overall framework for the project, reviews some of the policy challenges faced across OECD countries and explores the concept of making reform happen and the political economy of reform. To help the analysis in different areas of specialisation and across countries, it provides a structure to explore the factors that influence the design, decision-making process, adoption and implementation of policy reforms: a) *the existence of appropriate institutions to support reform from decision to implementation*; b) *the impact and reactions of those affected by the reform*; c) *the timing and interactions across different policy area and*; d) *the role of international organisations and evidence to support reforms*.

OECD countries are facing a variety of reform challenges

11. Analysing and responding to political economy of reform concerns requires first looking at the challenges countries are facing, and exploring the difficulties in implementing reforms designed to promote growth and improve living standards.

12. OECD governments are facing economic and social challenges that present some common aspects. The global financial crisis and its recessionary forces are requiring clear measures in terms of revising the global financial architecture but also regaining long-term growth and resilience. At the same time, among some of the current pressures to reform are the ageing and changing demographics of OECD societies, which call for readjustments to human capital development strategies, to labour markets, and to the provision of social services. At the same time, changing domestic and international economic conditions require constant structural policy reform to enhance growth and competitiveness. Technological progress also calls for policies to adapt, including investment in research and development and other measures to help economies reap the benefits. And increasing environmental challenges are bringing a new policy agenda to the forefront. Meanwhile governments need to work to maintain stable macroeconomics, by keeping inflation low and public finances balanced. They also need to adapt the provision of public services in terms of their efficiency and effectiveness. These challenges are also high on non OECD countries agendas.

13. Many of these challenges require reform in different areas of public policy, highlighted in OECD countries' policy priorities for the coming years² for enhancing growth and wellbeing: fiscal policy to consolidate public finances, reforms in tax policies and structures, reforms in social and welfare services to readjust social security and pension finances and improve the provision of services, education and human capital reforms to ensure quality, high levels of completion, relevance and training opportunities for adults, reforms in labour market structures to ensure high labour force participation rates and low unemployment, reforms in health services to respond to ageing, reforms in regulatory policy and product markets to encourage investment and ensure competition and reforms in policies targeting environmental sustainability. Finally, reforms in public administration and services are required to respond to decentralisation, modernise and adapt to new needs.

² This information is based on an analysis of OECD countries midterm policy reform priorities in the coming 10 years based on responses to a questionnaire sent by OECD DSG de Geus to OECD Ambassadors in September 2007.

14. Design and implementation of reforms in these areas face difficulties. Firstly, the content of reforms may depend on the political orientation of governments, which may determine the balance of tradeoffs between a greater focus on equity or on efficient market functioning. At the same time, policy reforms can result in increasing overall welfare in the long run, but they can change the distribution of resources across different groups in the short term. These factors make the realisation of reforms difficult, no matter the political colour of the government, because the change in the distribution of resources can create opposition (OECD, 2006b).

Policy reforms are difficult to translate into action

15. Even when reforms to boost economic performance and living standards are well identified, they are often difficult to translate into action. There are often limited public budgets, lack of public awareness of the need for reform, resistance by specific groups who might be affected, as well as political opposition to reforms. Reforms may be about changing the distribution of specific benefits or services, or this change may be one of the effects of the policy reform. These may entail immediate and highly visible costs for some groups, who may be well-organised and vocal in opposing reforms. On the other hand, the benefits of reform may appear to be more uncertain and take time to materialise. Furthermore, the beneficiaries of reform may not clearly identify themselves as such (or even be identifiable *ex ante*) and are often less well organised. If the benefits of reform are very diffuse and appear in the long run, as is often the case, then those who will benefit may have less incentive to mobilise, even if they know who they are. Reforms that involve changing the status quo of certain groups may provide incentives to take action against the reforms.

16. Evidence shows that because these factors may be hampering the introduction of needed reforms, often, critical economic or financial situations or crisis contribute to triggering reforms (Williamson & Haggard, 1994; IMF, 2004, Boeri et al., 2007). This has been corroborated throughout discussions at OECD, in which Committee delegates suggested that often, the economic situation is important and can have a great impact on the willingness and support for reform. The current financial crisis provides a clear example of it. But governments should not have to wait for a crisis to reform or win support for reform. They should have evidence on different approaches to achieve reforms successfully whenever it is needed.

Box 2. Defining political economy of reform

The political economy of reform can be described as the way in which political and institutional factors influence the design, decision-making process, adoption and implementation of reforms. It refers to the determinants that mediate between policy design and its implementation. Taking into consideration these factors can contribute to the effective realisation of policy reforms.

A study of the determinants of structural reforms defined it as follows: “*while political difficulties in implementing reform are common, both their intensity and the ability of reformers to overcome them depend on a host of factors, which tend to shape the extent and course of reform in each country. Some of the factors influencing reform either cannot be controlled by the government or would involve undesirable collateral costs if they were exploited purposely. However, the ability to change the course of policy also depends on the way reforms are designed and implemented. The timing, scope and modalities of reform efforts as well as the interactions with macroeconomic policies, and among structural policies themselves, are levers that policy makers can use in principle to foster consensus around a structural reform agenda.* (OECD, 2007b)

17. Different and complementary fields of expertise aim to provide answers on the different tools to overcome obstacles to reform. Public choice theory explores the political organisation of societies and democracies to understand the interplay between economics and politics. It explores how individual political decision making affects policy making. It looks at how individuals act rationally to defend their

interests in a political process. It predicates that there are conflicts between individuals and the overall desire of majorities which need to be resolved for reform to take place (Buchanan, 2003; Mueller, 1989). On the other hand, from a political science perspective, the study of the political economy of reform has taken hold in the last twenty years, in efforts to analyse the factors that can explain different trends in economic growth across countries. Experts began by studying why a set of policy reforms was not implemented across countries in Latin America in a time of need, despite consensus among economists and donor agencies³. Since then, a number of economists and political scientists have analysed the different factors driving reforms. Some have been more general, focused on the more general study of political institutions, on public choice theory, while others have focused on political economy of sectoral reforms such as pensions, trade, corruption, education or fiscal stabilisation for example. Overall, their work provides a new framework for policy analysis.

18. Beasley (2004) refers to the New Political Economy, and states that until fairly recently, economists were focused on optimal policies, without paying much attention to institutional design and policy implementation. But looking to the world's economic problems and responding to the challenges of effective policy reform calls for new insights into important policy issues. To him, political economy is looking behind institutions that generate policy, improving our understanding of how institutional structures affect policy outcomes.

Box 3. A reflection on achieving policy reform

Larry Summers, former Harvard Economist, U.S. Treasury Secretary and Chief Economist of the World Bank was asked about his experiences in policy reform in the 1990s. *“(An) overwhelming lesson that I think we have learned in the 1990s, is ...the transcendent importance of the quality of institutions and the closely-related questions of the efficacy of political administration. Well-executed policies that are 30 degrees off are much more effective than poorly-executed policies that are spot on.”*

Source: Summers, 2004 in Beasley, 2004.

19. While many of these studies confirm that implementation is as important as design itself, it is equally important to get policy design right, since implementation of badly designed policies will not result in appropriate reforms. This issue has been highlighted by OECD Committee delegates and staff during the meetings held to discuss the topic in September 2008⁴. Based on their reform experiences and analysis, they agreed that reforms will not be successful unless they are well designed, clear, have simple messages and are well understood by the population.

20. In addition, much literature also highlights that context matters to the successful realisation of reforms. During discussions on the draft of this document, OECD delegates presented evidence from their own countries on how the political or economic situation had a strong influence on the way reforms were introduced and sustained. Every reform is a “snow flake”, stated one OECD delegate. Every reform can be

³ These came to be known as the “Washington consensus” and referred to fiscal discipline, reordering public expenditure priorities, tax reform, liberalisation of interest rates, a competitive exchange rate, trade liberalisation, liberalisation of foreign direct investment, privatisation, deregulation and property rights (Williamson, 2003).

⁴ The OECD PER Network meeting held 16 September 2008; the Network of Senior Members of Centers of Government (CoG) meeting in Mexico 26-27 September 2008 and the Economic Development Review Committee (EDRC) meeting in Paris 30 September 2008.

different because of its political structure, social, cultural and especially economic context. Some reforms may be introduced three or four times before they are actually approved and implemented. Reforms follow different channels in different political contexts: federal systems will have different dynamics than majoritarian or other parliamentary models. Yet, what is important is to extract the core messages on the process of policy reform and contextualise them. It is important to provide points of orientation on what works to make reform happen in different contexts.

21. The following sections provide a framework to explore the factors that can contribute to improve success in reform realisation, from design to implementation across different policy areas under four broad headings:

- *the existence of **appropriate institutions** to support reform from decision to implementation;*
- *the **impact** and reactions of those affected by the reform;*
- ***reform agendas**: timing and interactions across different policy areas;*
- *the role of **evidence** and **international organisations** to sustain reforms.*

22. The sections that follow elaborate this framework. At the end of each section there is a set of questions that are meant to help guide the analysis and work undertaken.

3.1. Institutions to support reform

23. The existence of sound institutions can contribute to support policy reform, as they provide frameworks with clear rules, regulations or norms that can be followed by different players. By institutions we refer not only to formal rules embodied in laws or other formal documents, and special institutions created for policy purposes, but also informal rules such as norms, customs or traditions. The way these institutions operate and contribute affects how policy reforms are introduced and supported.

24. Overall, the degree and speed of the implementation of new and improved ideas is dependent on the institutional setting, formal and informal, in the country. The better a country is integrated into the world economy, the better the system of checks and balances, the higher the individual and collective learning capacities, the better economic policy can adjust to global structural changes (Freitag and Renault, 2007).

25. But going to the domestic level, a body of literature has shown that the political structure matters to reform realisation. Systems with majoritarian rule, where there is no need to negotiate or trade off on the costs of the reform, may take a more direct approach to pass reforms through (Alesina and Drazen, 1991; IMF, 2004; Person, 2003; Williamson and Haggard, 1994). In models with more proportional representation, governments may need to focus on convincing and reaching consensus on reforms. At the same time, Veiga (2000) found that the more polarisation in society and politics, the more work to promote the reform to be successful.

26. A model which can contribute to clarify light on the political economy challenges is the theory of veto players developed by Tsebelis (2003). It describes how different groups and institutions have the power to veto policies and shape agendas throughout the political process. Veto structures refer not only to formal rules and institutions, but can include also informal norms based on country specific context. The more veto players there are, the more policy stability in the reform process and in legislative outcomes. According to him, the policy reform process is defined by the number of veto players and points as well as

by distance between them, which may include the regional or local policy dimension. This theory can help to evaluate the probability of policy reform.

27. It is not only the political system, but also the quality of institutions that matter for growth and therefore in their capacity to promote reform (Rodrik, 2005). Institutions that create market-oriented incentives, and provide dependable property rights, manage conflict, maintain law and order and align economic incentives with social costs and benefits have been vital to progress. And many of these are institutions that contribute to reforms. But most of these have elements that are highly specific to countries' circumstances. This means that institutions have to allow for the role of local variation and institutional innovation.

28. There may be a range of institutions that have demonstrated their ability to promote reform, including mechanisms to engage in **dialogue with key stakeholders**. The social partners have a role to play in many structural reforms. In many structural reforms, the social partners, which include business, trade union and special interest groups, participate in consultations and may reach agreements, whether through formal or informal arrangements. Evidence shows that the quality of labour relations and their dialogue can explain the unemployment development in the past decades (Blanchard and Philippon, 2004; OECD, 2003, Chapter 4). Pension reforms across OECD countries have also been successfully passed after consultation and consensus with social partners and often with other parties (James and Brooks, 2001). Developments in countries such as the Netherlands and Denmark, where there have been centralised and coordinated systems of industrial relations with strong cooperation with the government, show that the quality of industrial relations has contributed to promote labour market reforms. In some countries, relations with social partners have been formalised in institutions such as Economic and Social Councils which engage in analysis and recommendations of policy directions and policy reforms based on the opinions of the social partners.

29. Another approach introduced by many countries is **the creation of special commissions or groups** that engage key stakeholders and specialists to think through and propose reforms. These may develop analysis, discussions and recommendations on specific issues. Some countries may create a specific commission for specific purposes, for example the French Attali Commission which advised the French government on the direction of general policy reforms in 2007 (OECD, 2007d). Other countries may have a more institutionalised approach. The Netherlands has a Central Planning Bureau, which is a research institute independent in terms of content but formally a part of the government and which provides independent research on specific topics. In Australia, the Productivity Commission is an independent research and advisory body on economic, social and environmental issues to advise government on long term policy interests. Other institutions which play a role in policy reform are independent research organisations or research groups which provide evidence on policy directions. Some may be independent non partisan think tanks.

30. A different and complementary approach to reform may be that of **creating or developing specialised institutions** to promote and support reforms. As an example, in the United Kingdom, this was done through the creation of a prime minister's strategy unit and a delivery unit to contribute to the aim of policy delivery and reform in priority areas.

31. More recently, **the development of additional interest groups** also needs to be taken into consideration as part of a better institutional framework to promote and support reform. With new social and economic policy challenges brought about from ageing, globalisation and economic developments, there can also be the need to find institutional space for engagement of interest groups that reflect the opinions of different groups such as younger generations, women, the elderly, the unemployed or others. In some countries or areas, special institutions or sectoral consulting bodies have been created.

32. Finally, in addition to formal institutions, **the existence of leadership and capacity to sustain reforms is essential**. Williamson and Haggard (1994) determined that having leadership and a coherent team were the more clear determinants of successful reforms. Other examples and discussions at OECD have shown that coherence in the teams developing policies and political leadership were key to designing and pushing the reforms through. It is also a matter of enhancing the skills of those working in the public services to design and introduce policy reforms effectively. Henriksson, J., (2007) based on his experiences with budget consolidation in Sweden, proposes a set of issues including the need to set goals and stick to them to signal commitment to financial markets and the public and ensure that they are used by the bureaucracy and others. Leadership is necessary to push reform by setting direction, managing the reform process, and developing consensus and support for the reforms.

33. But it is also important to **support institutions to sustain reforms**. A recent analysis of reforms in different areas in the United States suggests that reforms have the best chance to be sustained if they reform or change institutions or policy-making. Getting reforms through is not enough; the implementation process also requires clear follow up to be successful (Patashnik, 2008).

34. The following questions can help frame the analysis on how institutions can contribute to achieve reforms: *In your area, what kinds of formal/informal institutions contribute to support policy reform more effectively? Have there been specialised institutions supporting dialogue with those representing the interests of groups affected by the reforms? Have these been useful? How can communications be harnessed effectively to support reform? How can measurement of progress in reform be ensured?*

3.2. The impact of reforms

35. Reforms are intended to have a positive impact on the population at large and can also be directed at changing the status quo of specific groups. This can mean that they can have short-term costs for specific population groups while the longer term benefits for economies and populations may appear uncertain. This is what may cause them to fail or obtain sufficient political support, as there may be an uneven distribution of the costs and the uncertainty of the aggregate benefits of the reform. This argument has been used by many economists as one of the key determinants of reforms success or failures. Koromzay (2004) suggests that economic reform is about reducing rents and that it will be opposed by those whose rents are at risk. At the same time, the beneficiaries from the efficiency gains brought about by reform are much less aware of the benefits. So in many cases the rent reductions that are the consequence of the reform may be seen, and indeed felt, as unfair in that it is not the beneficiaries of the rent who bear the cost of its reduction. So this may make reform difficult to achieve.

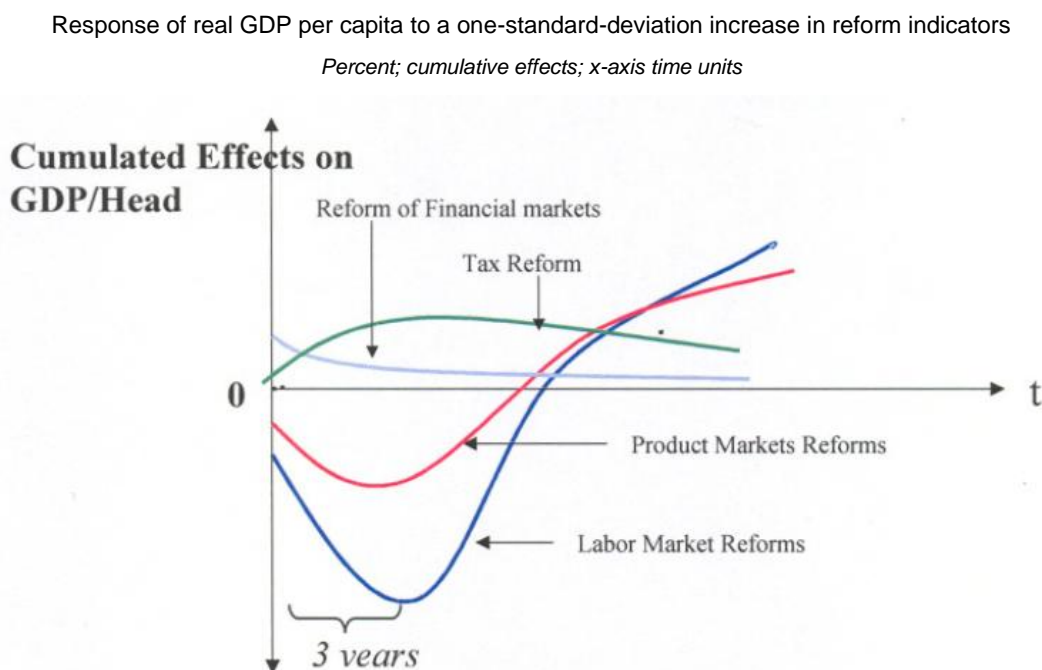
36. Already in the 60s, Olson (1965) showed how losers' interests prevail because they have strong interests to defend their status quo and secure political support, as opposed to the broad diffuse majority who may be uncertain about costs and benefits to them. Others demonstrated how if a sufficient large majority of producers or employees are uncertain about the reform effects and on the probability of being losers they will prefer the status quo (Fernandez and Rodrik, 1991). The result can be that reforms face strong opposition from those affected by them, who either are highly visible or persuade the majority to oppose the reforms (IMF, 2004). At the same time, the heterogeneity of population and interest groups are crucial to resistance (Alesina and Drazen, 1991). A potential reply to the uncertainty about the size and impact of reforms could be surmounted with gradual introduction of policies that could inform the public about the effects (Tomassi and Velasco, 1995).

37. The IMF recently studied the political economy of structural reforms to show that reforms with smaller expected short-term costs are easier from a political perspective (IMF, 2004). Figure 1 shows the impact of policy reform across different areas. It shows that the average gains from structural reforms in the trade, labour and product markets appear in the long run, while financial and tax reforms have a

quicker payoff. And reforms in trade and product markets have been more prevalent than in other areas. The only exception is tax policy, where progress has been limited, potentially due to the unattractiveness of spending cuts for politicians.

38. The distributional effects may differ depending on the policy or institution and may be economic or of a different nature. Labour market reforms focused on employment protection legislation or wage setting, for example, may not have been implemented because they might face strong opposition, as the costs are imposed on incumbent employees while the benefits may be rather long-term as figure 1 clearly shows. Moreover, the beneficiaries of reform are likely to be the unemployed, future labour-market entrants and those in precarious employment – groups that may be less organised and represented in the policy process than regular workers. Instead, labour tax reductions have been more widely accepted because they entail no explicit or immediate costs for any category of workers but place the burden on public finances. The cost is less clear for voters or those against the reforms, as they might be seen as paid for by the state (OECD, 2006c).

Figure 1: Impact of reform across sectors



Source: IMF calculations (2004).

39. Another example of distributional impact is the case of pension reform. These may imply an increase in the retirement age of the working population, reductions in pension generosity or increases in voluntary supplements to pensions. All of these have different costs for different groups. As the costs are clearer to those about to retire, who also have less time to adjust their own retirement plans, it has tended to be they who expressed concerns across a number of countries. What has happened is that the predominant reform in countries with pay-as-you-go systems has concentrated on a series of accommodations to reduce pension benefits, although these were more modest for current retirees or those near retirement but often

substantial for future generations, as younger generations might not be too close to thinking about their retirement and express their opposition. These reforms were designed with political economy considerations in mind and included the transitional costs of supporting current retirees.

40. Different strategies to respond to the distributional impact of reforms have been applied across countries and sectors. Public compensation of losers in reforms as a way to gain support for reform is one. This can be done in the design itself. For example, reductions in unemployment benefit schemes may go hand in hand with temporary welfare compensating mechanisms, as was done in Denmark in their unemployment insurance reform during the 90s (OECD, 2006c). These are seen as transitional rules for those already in the system. Others propose sequencing and bundling reforms so that the costs are wider spread and don't fall on specific groups but on the broader society (Henriksson, 2007). It can be a matter of designing the right incentive structures for those who might be at a disadvantage as a result of the reforms.

41. Another strategy to engage stakeholders, winners and losers alike, in the reform process is that recently developed by the World Bank, the PSIA (poverty and social impact analysis), based on the idea development aid has to be targeted well. For this to happen, they are requiring PSIA analysis prior to lending. This PSIA analyses who are the key stakeholders, costs and benefits and engages them in the policy design process so they have a chance to contribute in the reform process. The use of this tool is based on the assumption that there is no single 'correct' policy that can provide an adequate solution to a given problem affecting a society. Instead, there are several policy options which need to be elaborated, put forward for public debate, deliberated by all relevant stakeholder groups and, finally, decided on by the political leaders (Beddies and Holland, 2008).

42. The following questions can help frame the analysis on how the consideration of the impact of reforms can contribute to achieve reforms: *How can the losers and winners of reform be identified? How can they be engaged in the policy reform process? In your country/area, are compensatory measures the right approach to the distributional dilemma of introducing reforms which affect specific groups? What are other measures that can respond to the distribution dilemma?*

3.3. The reform agenda: timing and interactions across different policy areas

43. The interaction between reforms in different policy areas is a key consideration when measuring their overall effectiveness. It may also affect public acceptance of reforms, since reform in one market may fail to deliver results if not accompanied by reform in others, and a "critical mass" of reforms may be needed for benefits to be visible. Furthermore, complementarities maybe used to develop better compensation strategies for losers of specific reforms but this will also have significant budgetary implications for the economy.

44. Early analysts of the *new* political economy of reform already recognised the importance of comprehensive reform programmes. Case study evidence on reform programmes has concluded that among the shared features of successful reform experiences is the design of comprehensive reform programmes. The importance of cross-area spillovers in reform dynamics can also be highlighted, as can evidence of the complementarity of labour market and product market reforms. Furthermore, complementarities have been shown to have a positive impact when they are linked with reform levels. The effect of reforms on growth must take policy complementarities into account, as reform levels and the change in reform complementarities tend to be positively related to growth (Braga de Macedo and Oliveira Martins, 2008).

45. OECD analysis has also provided evidence that liberalisation in some areas is associated with subsequent liberalisation in other areas. Duval and Elmeskov (2005) have given a numerical estimate of an increase in 5% in the probability of reform in one area when reforms are already in place in other areas

(OECD, 2006b). This is the case of product market liberalisation, which tends to encourage changes in labour markets (Nicoletti and Scarpetta, 2003; Brandt et al., 2005; Hoj et al., 2006). Further studies have demonstrated that there are policy complementarities in different employment related reforms. Policy complementarities are estimated to amplify the individual effects of reforms on unemployment by 12 to 19%. That is reforms on the tax wedge, unemployment benefits, product market reforms and union density are complementary.

46. Padoan (2003) also presents evidence of the role of policy complementarities between economic and financial markets, and suggests that appropriate timing and sequencing needs to be found to deliver the benefits. He suggests that collaboration between key actors needs to be found and proposes a set of criteria for policy coordination based on the analysis of regulatory reform in the US, Japan and the European Union which include packages for economic liberalisation and structural adjustments, incentives for those making decisions to reform and appropriate leadership for concerted action across different policy domains.

47. But most of these analyses focus on structural policies for growth and productivity enhancement. Often, complementarities with other policies, such as welfare or education are not explored. Labour market policies may have a strong impact on education policies, as youth employment rates may change participation in upper secondary and tertiary education or that labour markets require more vocationally oriented entrants rather than university graduates. In addition, additional evidence also proposes that leaders learn about how to reform and that experience with reforms carries over to different sectors.

48. Another question regarding complementarities is whether reforms should be introduced sequentially, as evidence seems to suggest that introducing reforms in product markets helps to promote reforms in labour markets. Some analysts (Munkhammar, 2008) suggest that sequencing is not important, as it is difficult to plan and launch reforms at the appropriate time, which might lead to losing opportunities for reform. According to one Minister “reforms are always unpopular, so it is better to do them at once” (quoted in Munkhammar, 2008). This however, may depend on the nature of the reform and its complementarity with other reforms. It may be that the introduction of a specific reform will create pressures to undertake additional reforms. In other instances, sequencing may not be possible, as the introduction of some reforms may cause some reactions against continuation. Then bundling reforms together may allow for a better compensation and coverage of broader constituent groups.

49. The following questions can help frame the analysis on how the timing and interactions can contribute to achieve reforms: *In your country/area, are policy complementarities evident? Which policy reform areas are complementary? Is there evidence on the impact of policy complementarities? What are the best ways to introduce reforms so that they are well supported? Through comprehensive reform programmes, bundling or in a sequential manner?*

3.4. The role of evidence and international organisations to sustain reforms

50. In a globalised world, there is more and more information on what is working across countries. There are many opportunities for policy makers to exchange experiences, and journalistic, scholarly and other information is disseminated on different policies, and on different countries’ pathways to growth.

51. International organisations play an important role in reform processes, as many academics have acknowledged. They provide research and evidence, and many provide also policy advice. The IMF, the World Bank, the European Union, APEC: many of these organisations bring together members to reflect and promote different reform agendas. In the case of the IMF and the World Bank, as lenders for countries in crisis, they may impose policy conditionality on the recipients. Their role in development programmes has been established, as Alesina et al., (2006) have found a moderate effect of external inducements such

as IMF conditionality. Boeri et al. (2007), provide evidence that international legal constraints such as IMF conditionality or the European Union's Maastricht Treaty have been important triggers for structural reforms.

52. The IMF study on structural reform has provided evidence that learning from reforms across countries and international cooperation also contribute to shape the perception of costs and benefits of structural reforms. International arrangements are useful as commitment devices in the face of resistance to reforms, as the experience with trade reforms and product market liberalization in the European Union has shown.

53. There has already been analysis on the dynamics of the political economy of reform in OECD Member countries to identify the factors that are conducive to reforms and which maximise their benefits (OECD, 2008b provides further information of OECD work in this area). But according to OECD delegates, an important contribution of the OECD is its benchmarking work. A good example is provided by the OECD's Programme for International Student Assessment (PISA), which provides evidence of the impact on policy reform of an international benchmark. PISA has shown that there are wide differences in students' skills across countries and that they are not only due to socioeconomic background but can be adduced to school characteristics. This international assessment has demonstrated that peer pressure and benchmarking has generated more pressure for domestic education reform than other domestic institutions (OECD, 2007c).

54. A new effort underway at the OECD which can also contribute to the political economy of reform is the Global Project on Measuring the Progress of Societies. This project, led by the OECD in collaboration with other international organisations, aims to stimulate debate on issues of societal progress, based on solid statistical data and indicators. One of its objectives is to work with countries to develop their own vision and indicators of progress, going beyond that given by economic growth figures and taking into account other important aspects of life, such as social well-being and the environment. It aims to work with national governments and statistical offices towards establishing national roundtables for measuring and fostering progress.

55. Another way in which the OECD helps Member countries advance with reforms is through participation in specific government efforts to increase public support for reforms. Over the years, the OECD has shown itself as a strong ally for governments in promoting and creating a climate for acceptance of reforms at home. Building on its experience and credibility in the public debate in Member countries, the OECD responds to requests from the governments of Member and non-member countries, e.g. through contributions to Parliamentary discussions on reform and high-level intergovernmental dialogue. Policy analysis and expertise, as well as a deep understanding of the reform process, serve as the basis for defining actions that the OECD can pursue in specific circumstances, with due attention to preserving its objectivity.

56. Overall, this suggests that policymakers who seek to advance reforms should use these mechanisms to their advantage. For example, if a specific reform area is still relatively sheltered from international forces, it could focus on international evidence. Another option to stimulate reform and engage political support is to engage in international comparisons and benchmarking, and disseminate the data at domestic level.

57. The OECD and other international organisations can provide good benchmarking, act as external advisors and bring together stakeholders and interest groups under the same table for discussions. This is the case during country review visits. The OECD has experience in dealing with political economy obstacles to reform, both in country studies, thematic reviews and cross-country comparisons (OECD

2008b). The OECD's trademark and reputation are built upon the identification of good policy practices through a process of peer review, with proper attention to the overall context for reform.

58. Finally, the OECD also responds to requests from Members for evidence-based support to inform domestic debates on reform, through targeted analysis, as well as conferences and seminars organised in countries. Recent examples include a series of thematic seminars in Finland; OECD perspectives on policy challenges in Mexico (OECD, 2007e, *Getting it Right*); a comprehensive contribution to the Attali Commission for France (OECD, 2007d, *Le Pari de la Croissance*); and OECD perspectives on reform in Hungary (OECD, 2008f, *Reforms for Stability and Sustainable Growth: An OECD Perspective on Hungary*).

59. Since the topic of political economy of reform was first raised during its Ministerial Council Meeting of 2006, the OECD has been exploring ways to be more proactive and systematically support its member countries with the political economy of reform. This suggests the need to move beyond proposing best practices, to helping countries put them into operation by being prepared to explain the implications of inaction or delay, as well as providing options for helping to create the momentum necessary to reform successfully. Support for reform also includes creating awareness of what other countries are doing in the relevant policy areas and how they make more efficient their public administration. The OECD can make a major contribution in that direction and is increasingly asked to do so. It is a new, bolder, but perhaps more useful way of serving our Member countries, and it involves broadening our range of interlocutors in each country.

60. The following questions can help frame the analysis on how evidence and international organisations can contribute to achieve reforms: *In your country/area, how have international institutions and experiences supported policy reforms? Which institutions have been more useful? Is there evidence on their impact? What are the best ways in which the OECD can contribute to promote reform agendas focused on growth and wellbeing?*

4. The methodology

61. The OECD can contribute to the design, implementation and also to the political economy of policy reforms processes through its high-quality, evidence-based analysis and internationally comparable data. The OECD has comparative advantage in this area, as it has wide in-house knowledge of policies and practices in areas such as agriculture, economics, education, employment, environment, finance and fiscal affairs, governance, pensions, social affairs, technology and innovation and trade across countries, and it can bring together knowledge about policy reform processes across these areas.

62. The challenge is to enhance the OECD's information, analysis and advice for effective realisation of policy reforms in these different areas. Strengthening the knowledge and analysis of political economy of reform processes at the OECD, can increase the impact of OECD work and contribute to improved policy making in OECD countries.

63. The study and support of work on policy reform requires taking complementary steps to analyse country experiences with reform on the one hand and enhance OECD capacities on the other. Two complementary strands are designed to reach our objectives: An ***analytical strand*** to develop a report on options to realise policy reforms in priority areas and strengthen OECD analytical capacity in this field and a ***member country support strand (action strand)*** to ensure adequate response to member countries' requests for OECD to provide the evidence-base to inform domestic reform.

4.1. An analytical strand

64. This strand focuses on strengthening the analysis of country and sectorial experiences in policy reform processes through the work of the Committees and Directorates, using OECD recommendations as a basis. It has started with a stocktaking exercise of work on the political economy of reform across the OECD and aims to prepare an analytical report on lessons learned across different policy areas in addition to strengthening Committees' and Directorates' work so that they take account of the political economy aspects of policy reform in a more systematic way.

65. Deliverables of this strand include:

- A report on “*effective ways to realise policy reforms*” to explore the political economy of policy reform priority areas. Based on OECD experiences in priority areas, this report will provide a set of guidelines for effective policy reforms using the four issues presented in Section 3 as the guiding framework. This report will be based on an analysis of contributions from specific OECD Directorates in political economy of reform. It will also include the work on the political economy of structural reforms undertaken by ECO under the aegis of WP1 and the EDRC (focusing on labour market/pensions/product markets in 10 OECD countries), and the work initiated by GOV in this area. This requires working directly with Directorates.
- Engagement with Committees to discuss making reform happen and encourage them to: a) start new projects to explore the topic in their area of specialisation; b) integrate the analysis of reform realisation in their different reports; c) include work to support of implementation of policy recommendations; and d) share best practices across Committees. A report, *Making Reform Happen at OECD: Practical Examples for Directorates and Committees*, will provide examples of approaches that OECD bodies can use to systematically review PER concerns in their reports and recommendations.
- International conferences and workshops to support the analysis.
- Dissemination of findings across OECD Committees and member countries.

66. The final objective is that OECD Committees and Directorates themselves integrate analysis and advice on how to introduce reforms more effectively in their thematic reviews, country and cross-country analysis and indicators work. A measure of success will be the analysis of the OECD's Programme of Work 2009-2010 and the 2011-2012.

4.2. Member country support strand (action strand)

67. This strand focuses on ensuring an adequate response to requests from countries for the OECD to provide an evidence base to inform domestic reform. It seeks to increase the impact of OECD work and ensure that the knowledge developed at OECD is used most effectively to assist member countries' policy reform efforts. It aims to respond to individual country requests by bringing the knowledge it has across its different areas of specialisation together under specific services or products, such as publications, presentations, country visits by a high level representative of the OECD, such as the Secretary General or Deputies, seminars with key stakeholders, or direct engagement with cabinets to provide policy advice and support, among other potential products.

68. This service has been provided through different approaches across the organisation, either at the Directorate level, through the OECD Public Affairs and Communications Division (PAC) or via the Office

of the Secretary-General. This strand of the work focuses on strengthening these services and developing a systematic methodology that can make best use of the existing OECD structures and resources (Directorates and Committees) to provide and individualised responses to member countries in need of policy reform support. 69. Developing this strand entails setting up a service that delivers an individualised response to countries searching for OECD support in a more systematic manner. It requires taking the following steps: a) analysis and evaluation of these types of practices at the OECD and in other relevant organisations; b) discussions with member countries and the OECD Secretariat to ensure how to mobilise the knowledge required effectively; c) the definition of different options available (i.e. presentations, seminars, publications, direct engagement with cabinets or other formats which may be suitable for different purposes) and clarification of the resource implications for countries;

70. Intermediate deliverables of this strand include:

- A knowledge base with guidelines on how to respond to different country requests. It will be updated as the strand and services evolve and will include updating evaluation of the different contributions.
- OECD pilot services to respond to specific country requests.

5. Timelines

Timing	Outputs	Meetings
1-7 2008	Stocktaking of OECD work on PER Issues paper for 2009-2010	OECD Directors meeting (July 3)
8-12 2008	Discussions with Committees and Directorates, BIAC and TUAC Debriefing for Delegations (Nov 6) Data gathering from Directorates	CoG meeting, Mexico (Sept 26-27) EDRC PER discussion (Sept 30) OECD Network on PER
1-6 2009	Directorates present draft chapters for Analytical Report <i>ECO case studies on PER synthesis paper</i>	EDRC PER discussion ECO EPC WP1 spring meeting OECD Network on PER Progress Report to MCM
7-12 2009	<i>Enhancing PER at OECD: Practical Examples for Directorates and Committees</i>	OECD Network on PER CoG meeting, Paris International Seminar on PER (Oct)
1-6 2010	Draft report <i>Effective Ways to Realise Policy Reforms</i>	OECD Network on PER PGC/EDR joint meeting MCM 2010 Progress Report
7-12 2010	Dissemination phase Evaluation of impact: Analysis of POW 2010-2012	Presentation of findings to countries Final conference

6. Governance for effective knowledge mobilisation

71. This activity is horizontal by definition. It aims to assist country policy reform efforts in a variety of areas by a) comparing and providing analyses of different approaches to reform and b) enhancing OECD capacity and work on the political economy of reform.

72. Because of its horizontal nature, the activity is coordinated directly by the Secretary-General. Deputy Secretary-General Aart de Geus has been given responsibility for supervising planning and implementation. Under his aegis, a Secretariat team has designed and developed different strands of the

activity in consultation with relevant stakeholders. This team will also coordinate work across OECD directorates.

73. A horizontal MRH network with representatives from different directorates can contribute to the analytical strand as well as to mainstreaming the work across the organisation. This horizontal network will be the key contact points and contribute to share information, brainstorm and to the preparation of the practical examples for making reform happen at OECD and may also contribute to the analytical report. This network will meet periodically.

74. The relevant OECD Committees are the key stakeholders. Input from the OECD Council, the Network of Senior Officials from the Centers of Government (CoG), the Economic Policy Committee's Working Party No. 1 on Macro-Economic and Structural Policy Analysis and the Economic and Development Review Committee (EDRC) will be sought throughout the different stages of the activity. Because of the relevance of its members and the topics discussed, the CoG will serve as an advisory group. The Public Governance Committee (PGC) also explores relevant topics, and their advice will be sought. Opportunities for these Committees and the CoG Network to engage in discussion will be found, including through the organisation of a joint meeting between them (PGC and the Economic Development Review Committee (EDRC)) to review the outputs from the analytical strand (preliminary findings of the report *Effective Ways to Realise Policy Reforms*). In addition, the perspectives and views of relevant Committees will be sought to shape the horizontal perspective on the Making Reform Happen activity. They will also contribute by drawing on their contributions to political economy of reform in the Programme of Work. There will also be consultations with BIAC and TUAC.

75. In addition, consultations with other groups and stakeholders can contribute to the success of the activity as they can help to ensure relevance and provide expert input. Focused MRH seminars will encourage discussions and feedback on the analytical report. Experts will be encouraged to participate in seminars and provide expertise on policy reform processes across countries as would be representatives of TUAC and BIAC.

7. Resources

76. The activity is demanding and requires financial support for its objectives to be met by the end of 2010. Initial support for this activity has been obtained from the OECD Central Priority Funds for 2008, as this is a horizontal activity in nature. This will support the team working in the activity as well as related meetings.

77. For the continuation of the work in 2009-2010, Central Priority Funding has been allocated to support the core of the work. In addition, voluntary contributions for supporting the work, organising potential country visits and organising relevant meetings and conferences, will be sought from countries and other organisations.

78. Resources will be used for supporting the staff required for analytical and organisational aspects of the work (a project coordinator, an analyst, a part-time support staff), for the organisation and participation in relevant conferences and seminars, for intellectual services of in-house analysts in directorates, of experts and consultants and for potential trips to countries.

79. Finally, the member country support strand will be supported through voluntary contributions.

BIBLIOGRAPHY

- Alesina, A. and A. Drazen (1991), “Why are Stabilizations Delayed?”, *American Economic Review*, Vol. 81, No. 5, pp. 1170-1188.
- Alesina A., S. Ardagna and F. Trebbi, (2006), Who adjusts and when The Political Economy of Reforms, IMF Staff Papers, Vol, 53.
- APEC (2008), APEC Ministerial Meeting on Structural Reform, Joint Ministerial Statement, 3-5 August, 2008 in Melbourne, Australia,
www.apec.org/apec/ministerial_statements/sectoral_ministerial/srmm/2008_srmm.html
- Barber, M. (2008), *Instruction To Deliver: Fighting to Transform Britain’s Public Services*, Methuen Press.
- Beasley T. (2007), “The New Political Economy of Reform”, Keynes lecture delivered at the British Academy on October 13th.
- Braga De Macedo J. and J. Oliveira Martins (2008), Growth, Reform Indicators and Policy Complementarities, in *Economics of Transition*, Vol 16(2), 141’164
- Beddies, S., and J. Holland (2008), Analysing and Managing Political Economy of Reform, Poverty in Focus, International Poverty Center, n. 14, April.
- Blanchard, O. and F. Giavazzi (2003), “Macroeconomic Effects of Regulations and Deregulation in Goods and Labor Markets”, *Quarterly Journal of Economics*, Vol. 118, No. 3, pp. 879-907.
- Blanchard, O. and T. Philippon (2004), “The Quality of Labor Relations and Unemployment”, *NBER Working Papers*, No. 10590.
- G. Bertola, T. Boeri and G. Nicoletti, eds. (2001), “*Welfare and Employment in United Europe*”, the MIT Press, Cambridge, Massachussets.
- Berg, Andrew, and Anne Krueger (2003), “Trade, Growth, and Poverty: A Selective Survey,” IMF Working Paper 03/30, IMF, Washington.
- Boeri, T., M. Castanheira, R. Faini and V. Galasso, (2006), *Structural Reforms Without Prejudices*, Oxford University Press, Great Britain.
- Brandt, N., J.M. Burniaux and R. Duval (2005), “Assessing the OECD Jobs Strategy: Past Developments and Reforms”, *OECD Economics Department Working Papers*, No. 429.
- Buti, M., A. Turrini, P. Van den Noord, & P. Biroli (2008), “Defying the ‘Juncker Curse’: Can Reformist Governments Be Reelected? “ *European Commission Economic Papers* n. 324, May.
http://ec.europa.eu/economy_finance/publications
- Duval, R. and J. Elmeskov (2005), “The Effects of EMU on Structural Reform in Labour and Product Markets”, *OECD Economics Department Working Papers*, No. 438.

- Fernandez, R. and D. Rodrik (1991), "Resistance to Reform: Status Quo Bias in the Presence of Individual-Specific Uncertainty", *American Economic Review*, Vol. 81, No. 5.
- Freitag A., and S. Renault (2007), "From short-term to long-term orientation: Political economy of the policy reform process", in *Journal of Evolution Economics* n. 17, pp. 433-449.
- Grindle, M. (2000), *Designing Reforms: Problems, Solutions and Politics*, John F. Kennedy School of Government Faculty Research Working Paper Series RWP01-020.
- Henriksson, J. (2007), "Ten Lessons about Budget Consolidation", Bruegel Essay and Lecture Series, Bruegel, Brussels, Belgium.
- Høj, J., V. Galasso, G. Nicoletti and T. Dang (2006), "The Political Economy of Structural Reform: Empirical Evidence from OECD Countries", *OECD Economics Department Working Papers*, No. 501.
- IMF (2004), "Fostering Structural Reforms in Industrial Countries", *World Economic Outlook*, Washington DC.
- James E., and S. Brooks, "The Political Economy of Structural Pension Reform," in *Ideas About Old Age Security*, ed. Robert Holzmann and Joseph Stiglitz, Washington DC: World Bank, 2001.
- Johansson, A., C. Heady, J. Arnold, B. Brys and L. Vartia (2008), "Tax and Economic Growth", OECD Economics Department Working Paper n. 620, (ECO/WKP(2008)28
- Kneller, R., M. F. B., and N. Gemmell (1999), "Fiscal Policy and Growth: Evidence From OECD Countries," *Journal of Public Economics*, Vol. 74 (November), pp. 171–190.
- Koromzay, Val (2004), "Some Reflections on the Political Economy of Reform", Comments presented to the International Conference on Economic Reforms for Europe: Growth Opportunities in an Enlarged European Union. Bratislava, Slovakia, 18 March.
<http://www.oecd.org/dataoecd/41/59/31506532.pdf>
- McKinsey (2007), *How the world's best-performing school systems come out on top*, Barber M. and M. Mourshed, September.
- Munkhammar, J., (2008), *The Guide to Reform*, TIMBRO Publishers, Sweden.
- Nicoletti, G. and S. Scarpetta (2005), "Product Market Reforms and Employment in the OECD Countries", OECD Economics Department Working Papers, No. 472.
- OECD (2003), *Sources of growth in OECD Countries*, Paris.
- OECD (2006a), "Understanding Policy Interactions and Complementarities, and their Implication for Reform Strategies", in *OECD Employment Outlook, Boosting Jobs and Incomes*, Paris.
- OECD (2006b), *Going for Growth*, Paris.
- OECD (2006c), *OECD Employment Outlook, Boosting Jobs and Incomes*, Paris.
- OECD (2007a), *Pensions at a Glance*, Paris.

- OECD (2007b), *Going for Growth*, Paris.
- OECD (2007c), *PISA 2006, Science Competencies for Tomorrow's World. Volume 1: Analysis*, Paris.
- OECD (2007d), *Le Pari de la Croissance*, Paris.
- OECD (2007e), *Getting it Right: OECD Perspectives on Policy Challenges in Mexico*, Paris.
- OECD (2008a), Ministerial Council Meeting Chair Summary, June, Paris. www.oecd.org/mcm2008.
- OECD (2008b), *Enhancing the OECD's Contribution to the Political Economy of Reform* (C(2008)61/REV1).
- OECD (2008c), *Going for Growth*, Paris.
- OECD (2008d), *Education at OECD: Core Findings and Policy Directions* (EDU(2008)8).
- OECD (2008e), *Public management Review: Ireland*. Paris.
- OECD (2007f), *Reforms for Stability and Sustainable Growth: An OECD Perspective on Hungary*. Paris.
- Olson, M. (1965), *The Logic of Collective Action*, Harvard University Press, Cambridge, MA.
- Padoan, P. C., A. Paul and G. Boyd (2003), *The Structural Foundations of International Finance. Problems of Growth and Stability*, Edward Elgar Publishing, Massachusetts.
- Patashnik, E. M., (2008), *Reforms at Risk: What Happens after Major Policy Changes are Enacted*, New Jersey: Princeton University Press.
- Persson, T. and G. Tabellini, (2000). *Political Economics: Explaining Economic Policy*, Cambridge, MA: MIT Press.
- Persson T. and G. Tabellini (2003), *The Economic Effects of Constitutions*, Cambridge, MA: MIT Press.
- Rodrik, D. ed., (2005), *In Search of Prosperity: Analytic Narratives on Economic Growth*, Princeton University Press, Princeton and Oxford.
- Tommasi, M. and F. Sturzenegger (eds.) (1998), *The Political Economy of Economic Reform*, The MIT Press.
- Tommasi, M., and A. Velasco (1996), "Where Are We in the Political Economy of Reform", *Journal of Policy Reform*, Vol. 1, No. 2, pp. 187–238.
- Tsebelis, G., (2002), *Veto Players: How Political Institutions Work*, Princeton University Press.
- Williamson, J., ed. (1994), *The Political Economy of Economic Reform*, Washington DC, Institute for International Economics.
- Williamson, J. (2003), "From Reform Agenda to Damaged Brand Name," *Finance & Development*, September.
- Veiga, F.J. (2000), "Delays of Inflation Stabilization", *Economics and Politics*, Vol. 12, No. 3.