First Considerations ....

- Reform initiation and progress of countries is weakly linked with reform needs
- Perfectly designed scheme seem neither necessary nor sufficient for successful reform and implementation
  - It stays on the shelf
  - It gets discussed but does not receive majority support
  - It gets implemented but is politically not sustainable
- Political economy of reforms seem crucial for success, but we seemingly still have limited understanding
  - Arrogance of economists et al? Yes, perhaps
  - Limited reform experience? No, not anymore
Second Considerations ...

- **Key questions to answer for moving to a (second best) reform design**
  - What starts a pension reform
  - What makes it successful

- **Elements of „reform trigger” experience:**
  - Regional diffusion process: Keeping-up with the neighbor(s)
  - Credible paradigm change not a reform fantasy
  - Information and communication matter a lot ....

- **Elements of „reform completion” experience:**
  - Pension reform must be part and parcel of a comprehensive reform program
  - Long-term commitment by government essential
  - Luck – not too strong external and internal shocks ....
Third Considerations …
Suggested Key Elements of Success

- Quality technical content of the *concept*
- Translated into *policies*
- ....translated into *programs*
- ....translated into *practices*
A Proposed Framework

- COMMITMENT-BUILDING
- COALITION-BUILDING
- IMPLEMENTATION
... and additional questions

- What is the role of transnational organizations in pension reforms?
- Is isolation from political risks possible?
- What is still missing in the conceptualization and operationalization?
COMMITMENT-BUILDING

- Credible projections of unsustainability of current schemes
- Exposure to foreign experience
- Emergence of a reform champion
- Duration
- Coverage
- Multiplicity of actors
- Open disagreement

COALITION-BUILDING

IMPLEMENTATION
PHASES: Examples from Eurasia

COMMITMENT-BUILDING (PHASE 1)

Hungary: 10 months (June 1995-April 1996)
Poland: 16 months (December 1994-April 1996)
Kazakhstan: 0 months
Latvia: 10 months (October 1994-August 1995)
Egypt: 48 months (October 2000-October 2004)
Jordan: 50 months (July 2002 - September 2006)

COALITION-BUILDING (PHASES 2-6)

Hungary: 15 months (April 1996-July 1997)
Poland: 32 months (April 1996-December 1998)
Kazakhstan: 7 months (November 1996-June 1997)
Latvia: 50 months (August 1995-October 2000)
Egypt: 36 months (November 2004 – now) and counting
Jordan: 11 months (October 2006 – now) and counting

IMPLEMENTATION STARTED

Sweden: January 1999
Hungary: January 1998
Poland: January 1999
Kazakhstan: January 1998
Latvia: July 2001 (NDC since January 1996)
COALITION-BUILDING

- Concept preparation
  - Governance structure of reform
  - Cutting-edge knowledge and other countries’ experience
  - Analysis and projections
  - Opinion polls and focus groups

- Concept presentation, dissemination and buy-in
  - Key messages
  - Medias and core friendly group of journalists
  - Interest groups
  - Donors and international institutions

- Program Building: Working on new legislation
  - Sequencing of pillar reforms
  - MPs, trade unions, and constituencies
  - Experts and lawyers
  - Feedback into concept and lobby groups
POLICIES BUILDING: PASSAGE OF LAWS

Celebration
IMPLEMENTATION: Practice Building

• Readiness and timing: Decide law when politically opportune and start implementation when administratively ready

• Administrative preparation and communication:
  - Introducing ICT is 5% technology and 95% management
  - ICT requires a rethinking of the business process and a strong communication with staff, and their training
  - Communication of changes with the public is key

• Holding the fort – dealing with enemies and dissents:
  - Be flexible but stubborn
What is the role of transnational organizations in pension reforms?

- **Knowledge manager:** creation, absorption and dissemination (such as World Bank and OECD)
- **Policy watcher:** Consistency with other policies (such as IMF and ILO)
- **Reform supporter** (World Bank, regional development Banks, USAiD, EU Commission)
- **Implementation supporter** (World Bank, USAiD)
- **Paradigm shifter** – initiating change, with appropriate monitoring and evaluation
Tools of transnational policy actors

* Conferences, seminars and workshops
* Publications
* Technical assistance
* Loans
* Study trips
* Personnel policies for transmitting experience
Is isolation from political risks possible?

- **Proposal of political isolation**
  - move retirement incomes outside the government budget: a funded pillar with strong property rights on assets
  - require the identification of an explicit source of financing for benefits for any group of individuals
  - make the benefits strictly and exclusively dependent on contributions (notional defined-contribution and funded pillar)

- **Experience – does it work?**
  - Argentina versus Chile
  - Is any pension system politically foolproof?
What is still missing in the Conceptualization and Operationalization?

- Does the suggested framework apply to non-democratic societies?

- Do we know all/most necessary elements for a successful reform?
  - Role of complementary reforms, e.g. raising retirement age and labor market and financial market reforms
  - Role of “Change Agent”
  - Implementation constraints, e.g. ?

- Else? Your call!!!
References


