# Reforms in the Public Sector (Week 1) Introduction

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# Course outline

Interactive syllabi

**https://is.muni.cz/auth/el/1456/jaro2017/BPV_TRPS/index.qwarp**

The materials will be continuously updated! -  Follow regularly!

# Evaluation

| CONDITIONS | FINAL MARKS (APPROXIMATELY) |
|---|---|
| •lecture activity evaluation (see Notebooks) - up to 20 points every lecture<br>•seminar work (paper) - up to 20 points (max. 10 points for the presentation and  max. 10 points for the content)<br>•final test (17. 5. 2017) - up to 40 points<br>•final essay (17. 5. 2017) - up to 20 points | A more than 61 points<br>B 56 - 60 points<br>C 51 - 55 points<br>D 46 - 50 points<br>E 40 - 45 points<br>F less than 40 points |

# Czech Republic - Historic overview

- 1918: Czechoslovakia is established with diverse conditions among its regions (Slovakia being the less-developed part with predominantly agrarian population, low urbanization, education and literacy)
- 1948 – 1989: The rule of communists
- 1989: Velvet Revolution
- 1993: The break-up of Czechoslovakia
- 1999: Joining NATO
- 2004: Joining the European Union

# Reforms in the Public Sector

- Public Administration Reform
- Public Finance Reform

# References (European Union)

- Maastricht Treaty
- - SGP - Stability and Growth Pact  (Resolution) including corrective rules and amendment
- Lisbon Treaty
- Pix Pack, Two Pack
- Treaty on Stability, Coordination and Governance (Fiscal Compact)
- SGP Review
- etc.

# References (European Union)

- Country Specific Recommendations
- Commission Recommendation
- Council Recommendation
- Country Report (each year)
- National Reform Programme
- Convergence Programme (countries without euro)
- Stability Programme (countries with euro)

# References (international)

Recommendations and Reports of international organizations

- International Monetary Fund (IMF)

Fiscal Issues at the IMF

- Worldbank
- The Organisation for Economic Co-operation and Development (OECD)
- North Atlantic Treaty Organization (NATO) – specially for defence
- etc. (G8, G20, WTO, UN, ....)

# General Reasons for Reforms

- demographic changes (population structure)
- increasing budget amounts
- permanent imbalance ( ↑ public deficit and debt)
- Value for money approach (economy, efficiency, effectiveness and equity)
- public control of public finance
- changes in the management of public sector (e-governance, quality management system etc.)
- global economic crisis

# Specific Reasons

- ❖ economic crisis in 70s (recession) – oil crisis
- ❖ post-communist transformation (25 years)
- ❖ membership in European Union (adaptation of EU rules – standards, law etc. )
- ❖ international migration
- ❖ economic development of each specific country (Greece, Spain, Germany, Great Britain etc.)

# Factors that influence reforms

- Internal (specific conditions in the country – e.g. economic performance, culture, tradition, public policy and politics etc.) – the country can change
- External (general conditions - geographical location, international relations etc.) – the country can hardly change

# A comprehensive approach to reform (1)

- **policy reform** in some sectors – health care, pension system, budgeting – **what, why and how** – try to think about goals, reasons and ways
- **technological aspects** in some sectors – development of IT technologies, budgeting system, software etc.
- **institutional** – formal and informal relations in some area including formal organizations

# A comprehensive approach to reform (2)

- government reform
- tax reform
- reform of the social system (including pensions and social benefits)
- reform of the health care

- reform of budgetary policy

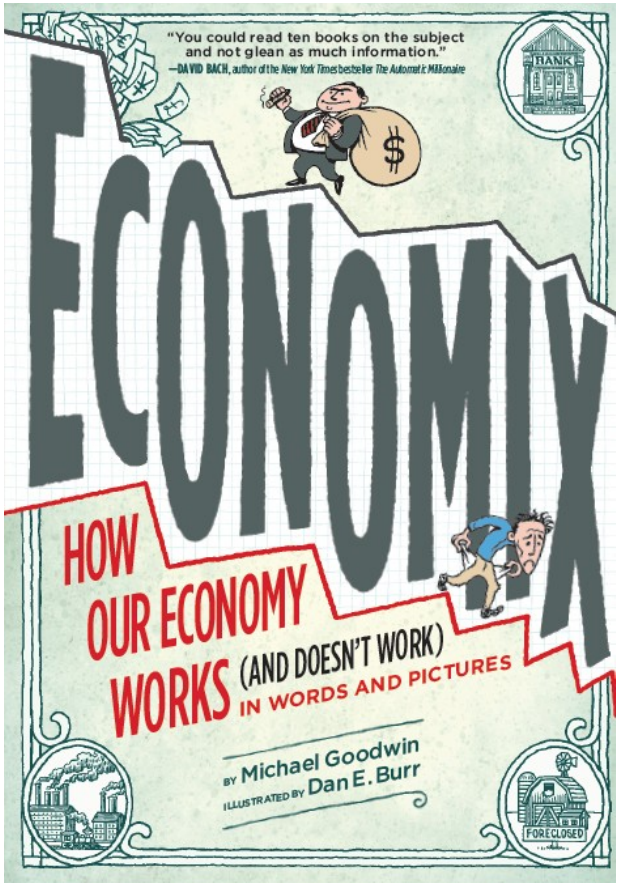
# Theory

- Capitalism x Socialism

Many different theories:

- classical economics (liberal)
- Keynesian economics
- Marxian school of economics
- Austrian school
- …..

**What is the role of the state?**
**What is the role of the individual?**



# Reality - praxis

- no one view
- many ways
- economic policy (e.g. fiscal and monetary)
- methods (e.g. cost-benefit analysis, cost-effectiveness etc.)
- financial instruments (public budget, regional and local budgets, subsidies, expenditure, tax)

# Many examples in the world

- Recommendations of IMF and World Bank
- Recommendations of EU

- Specific examples of past reforms in selected countries like New Zealand, Chile, Japan

# Public Finance Reform – country example of Czech Republic

Basic Information | Nation...

www.mfcr.cz/en/themes/national-reform-programme/basic-informations

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## Basic Information

Dept 53 - European Union Affairs Department

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**AUTHOR** Department 53 (Section 07)

This department is responsible for the conceptual management and coordination of the harmonisation of Czech law with primary EU legislation. It is responsible for protecting the interests of the Czech Republic...
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### LISBON STRATEGY AND NATIONAL REFORM PROGRAMMES

In 2000 the European Council adopted the Lisbon strategy. Its aim was to make the EU "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". One year later, environmental protection has become part of the Lisbon strategy. Owing to the fact that progress towards the Lisbon goals has been only limited, the European Council in 2005 has decided on its revision. Changes touched notably the institutional aspects of the strategy, with the aim to streamline the process of economic policy coordination, to make it more effective and to strengthen Member states' ownership of the strategy. The renewed strategy is officially called **Strategy for Growth and Jobs.**

In 2005 a three-year cycle for monitoring and evaluating the outcomes of the strategy was introduced. The strategy for Growth and Jobs is based on action programmes elaborated by Member states' authorities (**National Reform Programmes** and **reports on the implementation of National Reform Programmes**), in which Member states specify their reform priorities and evaluate the progress achieved. Similar action programme was elaborated at EU level (**Community Lisbon Programme**). The overall framework for economic policy coordination and elaboration of National Reform Programmes is represented by the **Integrated Guidelines for Growth and Jobs** . Every year the European Commission evaluates progress achieved by Member states in implementing their National Reform Programmes and proposes its **recommendations** addressed to Member states. The Commission's proposal is then discussed by the Council for Economic and Financial Affairs and the Council for Employment, Social Policy, Health and Consumer Affairs and finally it is adopted by the European council on its spring session.

The first Czech **National Reform Programme 2005 – 2008** was submitted to the Commission in the autumn 2005. It defines the priorities and reform measures to be implemented in the area of macroeconomic, microeconomic and employment policy. Reforms are aiming particularly at stabilisation of public finances, improvement of business environment, promotion of science, research and innovation and increased flexibility of labour market. Two reports on implementation of the National Reform Programme of the Czech Republic were published in **2006** and **2007**. These documents were elaborated by the Office of the Czech Republic Government in close cooperation with the Ministry of Finance (macroeconomic part) and in assistance of the Ministry of Industry and Trade and Ministry of Education (microeconomic part) and Ministry of Labour and Social Affairs (employment). They were adopted by the government and submitted to the Commission.

The second Czech **National Reform Programme 2008 – 2010** was elaborated in the autumn 2008. The objectives and priorities are similar to the first programme. It was again elaborated by the Office of the Czech Republic Government in cooperation with other ministries. On October 20, 2008 the National Reform Programme was adopted by the Czech government and subsequently it was submitted to the Commission. The first implementation report was submitted in the autumn 2009.

# Public Finance Reform – area example - Pension Reform

DUCHODOVA-KOMISE.CZ
Odborná komise pro důchodovou reformu

Aktuálně | Práce komise | O komisi | Média | Pro veřejnost | English version

## EXPERT COMMITTEE ON PENSION REFORM

Mission of the Expert Committee on Pension Reform, Czech Republic

The Expert Committee on Pension Reform has been set up based on the Coalition Agreement and the Policy Statement of the Government of the Czech Republic under the auspices of the Minister of Labour and Social Affairs, Ms. Michaela Marksová, and the Minister of Finance, Mr. Andrej Babiš in 2014. The Committee has to assess the status and developmental trends of the Czech pension system in terms of demography, sociology and economics and to prepare proposals for such a follow-up in the pension reform that will stabilise the pension system in the long run, be acceptable across the political spectrum and shall be adopted also by the public. Therefore, members of the Committee have become experts in the aforementioned fields, representatives of the coalition and opposition parties represented in the Chamber of Deputies of the Parliament of the Czech Republic, social partners and representatives of civic and professional unions and associations. Committee's meetings attend also representatives of the Ministry of Labour and Social Affairs, the Ministry of Finance and other institutions.

The Expert Committee shall consider such modifications to the pension system that will result in appropriate and dignified pensions, promote the principle of merit and straighten transfers between a family and a society. Specifically, this will relate to:

- mechanism of a periodic assessment of the retirement age setup;
- indexation mechanism that ensures appropriate and dignified amount of pension income throughout its payment;
- method of termination of the system of pension savings (i.e. Pillar II);
- setup of parameters of the pension system leading towards reinforcement of the principle of merit without any negative impact on the welfare of pensioners;
- changes in the parameters of supplementary pension systems in order to encourage forming of long-term savings for retirement (i.e. Pillar III);