

Policy drafting and negotiations in line ministries

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PROLOGUE – Dec 1, 2020

- before diving into writing techniques
- a short intro into the SRs and why it is very important how they are written
- the written measure reflects all previous discussions over a policy
- It is a basis for negotiations with stakeholders



PROLOGUE

- Economic Reform Programmes (ERPs) are submitted to the European Commission (EC) each January.
- Macro-fiscal framework and Structural reforms are the two essential chapters of the ERPs.
- Each year the EC issues Guidance for the preparation of the ERPs.
- SRs presented in the ERP must include details on their estimated cost and financing.
- ERPs considered backbone of government policies.

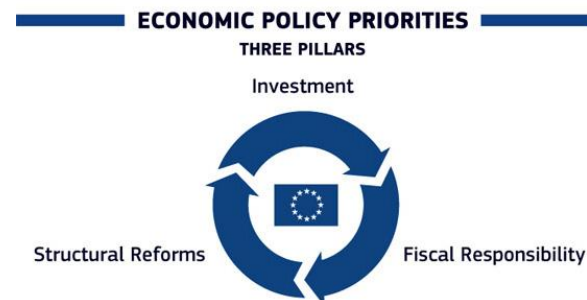


STRUCTURAL REFORM

- At its simplest, structural reforms imply **changes to the way the government works.**
- Examples:
- In a corrupt country, which is trying to improve, it is a good idea to force ministers to declare their financial interests which will make it more difficult for bent politicians to award cosy government contracts to firms in which they are investors → improving the quality of public services and lower their cost
- In a rigid labour market to become more flexible, it is a good idea to enable firms to hire up to x% of their workforce on fixed-term contracts of up to y years.
- Improvement of broadband internet access (digitalization)
- **Going green.**

What matters in SR formulation?

- OWNERSHIP & BIG PICTURE APPROACH
- PARALLEL WORK OF ALL LEVELS OF GOVERNMENT:
 - MINISTERS,
 - STATE SECRETARIES,
 - FINANCE DIRECTORS OF LINE MINISTRIES & DIRECTOR GENERAL OF BUDGET@ MoF
 - EXPERT LEVEL OF LINE MINISTRIES AND LINE MINISTRY MANAGERS @ MoF
 - ERP AND IPA COORDINATORS
 - EVERYBODY SHOULD KNOW HIS/HER ROLE IN THE PUZZLE.
- STRONG SUPPORT OF PM OFFICE, STRONG WILL OF MoF
- TIMING!
 - IN THEORY, IN GOOD TIMES
 - IN PRACTISE, IN BAD TIMES
- **CLEAR IDENTIFICATION OF SR:**
 - WELL DESIGNED MEASURES,
 - GOOD STATISTICAL DATA
 - COSTING IS THE EASIEST PART
- **Tips and Tricks for writing SRs**



Negotiations – Dec 7, 2020

Key phases of negotiations

1. Preparation
2. Beginning
3. Exporation
4. Finding and negotiating solutions
5. End
6. Fulfillment of agreement



Negotiations

Key questions in preparations

- What is most important to us / to the other side?
- Is there a common, higher goal?
- What are our (the other side's) additional goals and what is their significance?
- What is our negotiation interval for each goal?
- What is our desired outcome?
- Where are our ceilings for each element of the negotiation?
- What offer will we start with?
- What is the probable possibility or what will we have to give up and will we be able to give up?
- Are there any objective criteria that can be used in negotiations?



Negotiations

Key questions for determining our position

- What do I lose if I don't reach an agreement?
- How far can I go, when I have to stop negotiating?
- What will happen if I stop negotiating?
- How much and what does it cost me?
- Do I even need another side for my goal?
- Do they need me for their goal?
- What do they lose if I stop negotiating?
- How can I improve my position? / How can I weaken the position of the other side?

How to determine position of the other side?

- Possible personal or business knowledge of the other party.
- Review of their website and competition, articles in professional publications, annual reports.
- Talk to industry experts or neutral parties.
- Informal questions to the other side about business and the business climate.
- Role play - put yourself in their shoes and imagine what you would do in their place.

Negotiations

Strategies in cooperative negotiation

- Treat the other side as a partner and not as an adversary
- Listen & ask for further explanation
- Demonstrate an understanding of the other party's position
- Express your expectations and reasons for them
- Allow the other to think about your points
- Express yourself respectfully and take into account points of the other
- Highlight common goals and common interests
- Show strength and at the same time a willingness to cooperate
- Return the objections in the form of a question
- Invite to develop objective criteria
- Search for solutions that will be good for both parties (win-win)
- Invite the other to find common solutions
- Creative problem solving



Negotiations - Common mistakes

- giving priority to short-term results
- dealing with people instead of problems
- insufficient willingness to negotiate
- turning negotiations into debate
- intolerance in negotiations
- unwillingness to give in / insisting on an agreement at all costs
- reacting too quickly to the opponent's suggestions
- not trying to empathize with the opponent (the biggest mistake)

How to move from a dead end?

Consult the reading materials!



Negotiations

- **BATNA** - *Best Alternative to a Negotiated Agreement*
- **WATNA** - *Worst Alternative to a Negotiated Agreement*
- **MLATNA** - ???

Negotiations - instructions

- You have the first drafts of your structural reform or other policy measure that you brought with you as a pre-assignment of the course. In the 1st part of this course, with Paul McClure, you made sure that your ideas were transformed into clear messages, meaning that the reform measures are now well-drafted, with clear statement of their expected impact. Now you've got them ready to show them to other people.
- You will need effective communication and negotiation skills to persuade various stakeholders that this very measure is the one that needs to be prioritized in the ERP and integrated into the budget framework immediately in the next budgetary process. You may need to listen carefully, and adjust the measure, after the stakeholder's negotiations, and re-write and re-draft in several iterations until the measure is final.

Negotiations - instructions

- In today's webinar, you will be organized in groups of five (break-out rooms). Each of you will in a nutshell present „your measure“ (from the 1st part of this course), its expected outcome, its importance for the future of your country and its costs. Your first task today in your group will be to choose one of these presented measures as the priority measure of your group to run for scarce public funds at the government session (which will be held at our next webinar, Dec 10).
- After you have chosen the measure you deem the most necessary, you need to prepare the tactics to persuade the government to grant your measure the highest priority and all the necessary funds according to the costing timeline you have envisaged. You can use some convincing KPIs you plan to achieve with the proposed measure, international data proving why this measure matters most, some statistical data where your country lags most compared to your benchmark peers, you can use below-the-belt tactics of threatening by teachers' or doctors' or public officials' strikes – the sky's the limit in your negotiating skills options.
- Nominate a representative who will present your work at webinar on Dec 10.
- Additionally, nominate one member of the group who will be a part of the government team which will decide on the winning tactics (and measures).



Negotiations - instructions

- In webinar on Dec 10, you will have 8-10 minutes on your disposal to present your measure and your arguments to the other groups.
- After all groups have presented their measures, the “government”, formed by one member of each group and by CEF experts will declare the most persuasive group / negotiating tactics / measure.

The points of the process are:

- to be able to extract the big picture of the measure, the important facts, the convincing rhetoric,
- to be able to understand the importance of other measures and their implications, and
- to compare the (international) peer experience in the field of effective negotiations.



Negotiations – Dec 7, 2020

Negotiation approach - government

The Government is about to take the decision on the structure of the state budget for the next year. On top of current binding requirements (public sector wages, debt servicing, social and pension transfers) there is some room for strategic investment and there is need for structural reforms in the area of social affairs / labour market; health and education. The fiscal space is limited and fiscal council will have no mercy when judging the state budget proposal.

The Government will listen to the presentations and features of NPIs that have been prepared by LMs and afterwards choose the measures it deems most appropriate for the economic and social well-being of the country.

Hint: cutting the “soft” substances or linear cuts are the worst case scenario



Negotiation approach – LM1 (Min of labour)

You need to emphasize how important labour market and social protection are. With a functioning and flexible labour market people have jobs, pay their taxes and social contributions and are able to provide for themselves. On the other hand, social protection should be temporary in place for the ones in need, distress, or with unequal opportunities to empower themselves and return to the labour market.

Emphasize that it would actually cost 40, but you are aware of the fiscal constraints so you have prepared the most efficient use of scarce funds and expect to get 30 for your purpose.

Find some convincing data, comparable statistics, strong arguments to catch the ear of the government. Use concrete KPIs to show how this is not actually cost, but an investment with the expected return.



Negotiation approach – LM 2 (Min of health)

You need to emphasize how important health, protective measures, sufficient sources, sufficient number of doctors and other medical staff with satisfying salaries and work conditions are. With a functioning and flexible health system people have preconditions to be active on labour market and pay their taxes and social contributions and are able to provide for themselves and their families. Emphasize that it would actually cost 50, but you are aware of the fiscal constraints so you have prepared the most efficient use of scarce funds and expect to get 40 for your purpose.

Find some convincing data, comparable statistics, strong arguments to catch the ear of the government. Use concrete KPIs to show how this is not actually cost, but an investment with the expected return for the whole society.

You can use the below-the-belt tactics and mention a potential medical strike and its implications / consequences should the health budget not be sufficient.



Negotiation approach – LM 3 (Min of education)

You need to emphasize how important education is. It's the basis for everything people do in their lives. The more that people know, the better they are educated, the more options they will have in their lives. The education therefore needs enough money to pay the teachers (satisfying salaries and work conditions) and to have the necessary equipment so pupils and students will not only have knowledge but other / digital skills. This is the future of this country, the intellectuals and skilled experts / masters that will be needed. With a functioning and flexible education system, preferably connected to the labour market needs people have preconditions to be active in their adult life and pay their taxes and social contributions and are able to provide for themselves and their families. Emphasize that it would actually cost 60, but you are aware of the fiscal constraints so you have prepared the most efficient use of scarce funds and expect to get 50 for your purpose.

Find some convincing data, comparable statistics, strong arguments to catch the ear of the government. Use concrete KPIs to show how this is not actually cost, but an investment with the expected return for the whole society.

You can use the below-the-belt tactics and mention a potential teachers' strike and its implications for the pupils and their parents should the education budget not be sufficient.



Negotiation approach – LM 4 (Min of finance)

The Government is about to take the decision on the structure of the state budget for the next year. On top of current binding requirements (public sector wages, debt servicing, social and pension transfers) there is some room for strategic investment and there is need for structural reforms in the area of social affairs / labour market; health and education. The fiscal space is limited and fiscal council will have no mercy when judging the state budget proposal.

The Government will listen to the presentations and features of NPIs that have been prepared by LMs and afterwards choose the measures it deems most appropriate for the economic and social well-being of the country. MoF will help distinguish between good and bad arguments of LMs.

Hint: cutting the “soft” substances or linear cuts are the worst case scenario

