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in the Enlargement countries
and the need for evidence
based policy making**

**Will Bartlett, European Institute
London School of Economics and Political Science (LSE), UK**

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Institute for International Relations - IMO

Lj. F. Vukotinovića 2/2

10 000 Zagreb

Croatia

Phone: +385-1-4877-460

Fax: +385-1-4828-361

E-mail: ured@irmo.hr

www.imo.hr

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**Socio-economic developments in the Enlargement
countries and the need for evidence based policy
making**

Dr Will Bartlett¹

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¹ Senior Research Fellow, European Institute, London School of Economics and Political Science (LSE), Houghton Street, WC2A 2AE London, UK. W.J.Bartlett@lse.ac.uk

Abstract

The global economic crisis has had a significant impact on the Enlargement region by reducing inflows of external finance. Unemployment has increased in a context of already high long-term and youth unemployment. As governments seek to restrict their budget deficits there will be little scope for much increase in government expenditure in the near future. These effects of the crisis highlight the need for better policy making in the region, drawing on better understanding of the causes of economic and social problems and better appreciation of the range of policy options and their relative chances of success or failure. However, there is a substantial knowledge gap which can only be filled by well-designed research studies based on research questions that are relevant to the needs of policy makers. In this context evidence-based policy making (EBPM) techniques have a valuable role to play in improving the policy process. This paper outlines both ex-ante and ex-post techniques of EBPM. It points out the specific nature of the policy process in transition countries and the difficulties of formulating rational policy during periods of rapid structural change in which the administrations have become politicised and state capture by big business interests is common. Furthermore, pervasive policy transfer, often of a coercive nature, is an additional constraint on rational policy making. The conflicting advice received from multiple donors and external advisers provides an incentive for playing the system and producing inconsistent policy formulas. The paper concludes that there is significant scope for improvement in policy making through the use of EBPM techniques. Governments should therefore encourage the use of systematic review and ex-post evaluation of policy programmes and analysis of natural experiments where possible, while at the same time maintaining a realistic awareness of the dangers and distorting effects of the influence of advocacy coalitions, state capture and partyisation of economies.

Introduction

The enlargement countries have been severely hit by the global economic crisis. Over the previous decade they had experienced rapid growth based on external borrowing and inflows of foreign credit and foreign direct investment. Another major source of external finance is remittance income which reflects the exodus of people and especially skilled workers from many countries of the region. Several countries are facing an ageing population and an increasing burden of pension costs and health costs, although some have a youthful and rapidly growing population. In the face of these pressures, on the one side financial and on the other side demographic, it is likely that public expenditure on education will face increasing constraints in the future. The steady inflows of foreign funds are unlikely to return over the next few years, and in any case there is a need for a new growth model that relies more on internal sources of finance and internal sources of growth. The eurozone debt crisis is putting the accepted wisdom of slow but steady progress with EU enlargement into doubt. Countries will likely find that the inflows of development funds and funds to support EU-friendly reforms will also become less generous in the years to come. Although this may have negative effects on the pace of reform it may also open up some new space for independent policy making in the potential candidate countries which may find that the need for exclusive focus on implementation of the *acquis communautaire* is less pressing and less exclusive than has been the case for the countries further developed in their accession process. In all

countries however, there is a need for better policy making in all areas of the social and economic response to these developments. In the past the enlargement countries have also relied heavily on outside advice on the direction of policy, whether from international institutions or individual consultants. This has led to a situation in which the administrative capacity for independent policy making has been weakened. Nevertheless, under the new circumstances, governments will need to develop a greater capacity for policy making, and for making better policy that enables improved performance of public services with reduced funds. Under such circumstances, the claims of the proponents of evidence based policy as means to deliver improved public policy seem to offer a new way forward for policy makers in the region and for their international advisors and donors as well.

The origins of evidence-based policy making

Evidence based policy making has been around in various forms for a long time, under various names. Howlett (2009) locates its origins in the 1960s in the US experience with large-scale planning in areas such as defence, urban redevelopment and budgeting. The modern use of the term seems to date from experience in the health sector in the early 1990s with the development of evidence-based medicine (Black, 2001). This led to call by clinicians to extend the concept to the policy field, and it is still in the area of health policy that the techniques and procedures of evidence-based policy making seem to have found the most extensive practical application, especially through the work of the Cochrane Foundation. The New Labour government which came to power in the UK in 1997 proclaimed that policy would in future not be decided by ideology but would be based on the best scientific evidence. The vision was to modernise government and to ensure the public enjoy improved service delivery by focusing on 'what works' irrespective of prior political preferences. According to Plewis (2000) "New Labour proclaims the need for evidence-based policy, which we must take to mean that policy initiatives are to be supported by research evidence and that policies introduced on a trial basis are to be evaluated in as rigorous a way as possible" quoted in (Sanderson, 2002).

The evidence-based policy making approach has come under criticism on a number of grounds. In a classic early article on the policy process, Lindblom (1959) argued that for complex policy problems the 'rational-comprehensive' methods of policy making is impractical and a process of 'successive limited comparisons' is all that can be achieved, making marginal adjustments from 'where we are now' rather than radical adjustments based on a complete survey of all possible means to achieve a variety of potential ends. It is held to rely on a linear relationship between evidence and policy and on an assumption of rationality in the policy making process (Black, 2001; Clarence, 2002). It has also been pointed out that often governments use evidence selectively as a source of legitimacy (Walker, 2000). One recent study of the introduction of performance related pay argues that in introducing this pay system into schools in England and Wales the Labour government perversely failed to follow the prescriptions of evidence-based policy. Despite the lack of evidence on the effectiveness of the change in pay systems, and the negative feedback from consultations, the government introduced the policy anyway. It has been suggested that the covert reason for its introduction was to deal with a recruitment problem in the face of an ageing workforce and as a way of ensuring a relatively large pay rise for teachers without breaking the public sector pay inflation targets (Farrell & Morris, 2009).

It has also been pointed out that governments may also lack the 'policy analytical capacity' to carry out effective evidence-based policy studies and that the attempt to do so may reduce resources available for the normal operational activities (Howlett, 2009). This criticism was originally voiced effectively by Lindblom (1959) in his analysis of 'muddling through' as a rational and realistic approach to the policy making process.

Evidence based policy and systematic review

According to the UK ministry of international development (DfID) "evidence-informed policy is about decisions based on careful use of the most up-to-date evidence. Making policies and decisions in this way increases the success of policies, their value for money and their impact by basing decisions on what we know. This is important in international development, where limited funds are targeted at some of the world's most pressing problems."

While there is often much primary evidence available about various policy interventions, it is rarely systematically and neutrally laid out and disseminated to decision makers. Policy makers and practitioners rarely have the time to assess the evidence base for each policy or practice questions. They rely on single studies, advice from well-placed experts or traditional and unsystematic scoping studies or literature reviews. In other words policy is typically made on an incremental basis, in which the 'means' and 'ends' are considered jointly rather than the best policy (means) being separately assessed in the light of well-defined objectives (ends). Policy in practice is typically carried out by a process of 'muddling through' rather than being a rational decision based upon the best available scientific evidence (Lindblom, 1959).

But individual studies, no matter how rigorous or scientific, are not a sufficient evidence base from which to make informed policy and practice decisions. There is a gap in the delivery of systematic assessment of development evidence, which presents a challenge to evidence-informed policy making. The purpose of a systematic review is to sum up the best available research on a specific question. This is done by synthesizing the results of several studies. A systematic review uses transparent procedures to find, evaluate and synthesize the results of relevant research. Procedures are explicitly defined in advance, in order to ensure that the exercise is transparent and can be replicated. This practice is also designed to minimize bias. Studies included in a review are screened for quality, so that the findings of a large number of studies can be combined. Peer review is a key part of the process; qualified independent researchers control the author's methods and results. The process of systematic review comprises a number of distinct phases:

1. Setting the policy research question: following consultation with policy makers
2. Searching: the systematic identification of potentially relevant studies using an explicit research strategy
3. Screening: the application of clear pre-determined inclusion and exclusion criteria derived from the review question to report titles, abstracts and full texts
4. Data-extraction: the in-depth examination of selected studies using systematic coding and analysis to assess the quality of the study and extract evidence in support of the review
5. Synthesis: the development of a framework for data analysis and identification of key themes using meta-analysis where possible

6. Reporting and dissemination: peer review prior to presentation of the review findings.

Systematic reviews have been used in health, education and social policy to meet this need. Systematic reviews are a well-established and rigorous method to map the evidence base in an unbiased way as possible, assess the quality of the evidence and synthesize it. Systematic reviews can then be mediated in specific ways to make it easier for policy makers and practitioners to rapidly understand the body of evidence and use this as a strong foundation on which to base policy and practice decisions.

A key stage in the development of systematic review approach was the establishment of the Cochrane Foundation in the health field. The UK Cochrane Centre was established in 1992 with support from the NHS. This was followed by the establishment of the Campbell Collaboration in the fields of social and educational policy.

Resources to learn more about Systematic Reviews:

1. **EPPI Centre** - An Institute of Education centre focusing on systematic reviews in education, health and social policy.
2. **Campbell Collaboration** - Independent organisation producing systematic reviews on what works for education, health and social policy to build healthy and stable societies.
3. **Cochrane Collaboration** - Independent organisations producing systematic reviews for health interventions.
4. **Collaboration for Environmental Evidence** - Independent organisation producing systematic reviews for environmental management (3ie).

Source: DfID website

In early 2011, AusAID, DfID and the International Initiative for Impact Evaluation (3ie) announced 32 awards for new systematic reviews investigating the impact of development interventions in the fields of education, health, social protection, social inclusion, governance, fragile states, disasters, the environment, agriculture, economic development, and aid effectiveness. These were taken from a list of 59 priority questions that had been posed by the three agencies for systematic review. According to DfID, existing research is often not fully utilised to influence policy and practice. There is a high demand for consolidated but robust evidence that can be more readily applied to decision making both in developing countries and by donor agencies. Systematic reviews are an important way of ensuring that evidence can better inform policy and practice. The use of systematic reviews to summarise and appraise existing evidence in international development is gathering pace. It is a key component of evidence-based policy making in the areas of medicine, public health, allied health, education, social welfare and crime and justice. As example, three of the studies commissioned addressed the following questions:

1. “The impact of national and international assessment programs on education policy, resource allocation and teaching and learning practices in developing countries.”
2. “What is the effectiveness of different models of post-basic Technical and Vocational Education and Training (TVET) provision on employability and employment of TVET graduates? Does this vary by gender?”
3. “How effective are different approaches to higher education provision in increasing access, quality and completion for students in and from developing countries, and does this

differ by gender of students?”

One of the first of the reviews to report was on the effect of different interventions to improve water quality and their effect on reducing the incidence of diarrhoea in developing countries (Waddington, Snilstveit, White, & Fewtrell, 2011). In all the study identified 19,000 potentially relevant papers from database searches and contacts with experts in the field. Most of the papers were rejected after reviewing titles, and the abstracts of the remaining 278 papers were downloaded for initial review by two researchers. Of these full texts of 68 papers were examined of which 11 met the inclusion criteria based on scientific methodology and were included in the eventual review. In addition 110 studies were identified from bibliographies of previous reviews of which 54 met the criteria for inclusion. The review process involved a meta-analysis of the findings of 61 studies all of which were based upon controlled impact evaluation of different types of policy interventions. The review concluded that water quality interventions are more effective at reducing diarrhoea than water supply interventions.

Meta-analysis

Meta-regression analysis is the statistical analysis of previously reported regression results. It seeks to summarize and explain the disparate empirical findings routinely reported in any area of economics. Over the last 20 years, hundreds of meta-analyses have been conducted in economics. An important resource for the collection of information about meta-analyses is the Meta-Analysis of Economic Research (MAER) Network.

Example: Explaining development aid allocation by growth: A meta study, by Hristos Doucouliagos, (Deakin University, Melbourne) and Martin Paldam, (University of Aarhus)

The paper presents a meta-analysis of the 211 growth-aid estimates found in the 30 empirical studies. Additionally, it presents new evidence using a panel data for 147 countries for the period 1967-2004. The paper commences with a correlation study of the raw data, followed by a meta-study of 30 papers that estimate the effect of growth in the recipient country on the allocation of aid to the country. The results of the correlation study suggest that the effect of growth on aid allocation may on average be marginally negative, but the meta-analysis of the partial correlation from the 211 model estimates in the 30 studies find a more complex picture where the average result is positive. A positive effect of growth on aid emerges also from their own analysis of 147 countries, using data that extends into the new century.

Conclusion: The dominating effect of growth on aid is positive. Aid is predominantly given to finance projects with high benefit/cost ratios. Commercial and efficiency considerations turn out to be more important than humanitarian motives.

Meta-analysis has an important role as a quantitative approach to systematic review. It provides a convenient way to summarise the statistical implications of previous quantitative research, and to derive valid generalised conclusions of that research in one place that can be used by policy-makers.

Policy evaluation and pilot projects

Once policies have been implemented they should be evaluated for effectiveness. Increasingly in the UK, policies are tried out on a pilot basis, and subjected to evaluation before being rolled out on a national level. The Labour government in the late 1990s began to pilot a number of policies in areas such as crime prevention, employment and welfare policy, health, education and local government. Innovative policies for the labour market that were introduced under the New Deal programme for disadvantaged groups (young people, lone parents, disabled, long-term unemployed) were all subject to initial piloting and evaluation before being extended on a national level (Hasluck, 2000).

However, this approach may encounter a number of difficulties (Sanderson, 2002). The first is the length of time for the effects for the policy intervention to become apparent. It may take some time for pilots to become fully established and to give a good insight into how the policy might work when rolled out nationally. In addition, there have been cases in which the policy has been changed during the period of the pilot project so that evaluation becomes impossible to fulfil. This may happen due to changes in political priorities of the government. Pilot programmes may also not be given long enough to demonstrate their full effects due to the political need to demonstrate that 'something is being done'. The politicians may not be able to wait long enough for the pilot programme to be implemented due to electoral considerations. Pilot programmes may also be difficult to evaluate due to the effects of other exogenous changes in the environment which cloud the identification of impact. Sometimes several pilot programmes are carried out in the same area through area-based initiatives such as in Health Action Zones, Education Action Zones that were developed under the Labour Government in the UK in the 1990s to target highly deprived populations. The simultaneous implementation of several interventions may make it difficult to isolate the separate impact of any one of them. There may also be 'Hawthorn' effects through which the subjects of the pilot programme enjoy a 'pioneering spirit' among the professionals involved and so receive a better service than under normal conditions; in addition the pilot intervention may be better funded than a national programme would be giving spurious positive results to an evaluation. Finally, in cases in which policy makers have already decided on a course of action, a pilot programme may be used more for exemplifying rather than experimenting, in order to demonstrate how a programme would work and develop instances of 'good practice' for other front line workers to follow. In this context piloting is more akin to 'prototyping', to ask questions about 'how it works' rather than questions about 'whether it works'.

Given the constraints on pilot project evaluation two alternatives have been presented in the literature. The first is longitudinal evaluation, in which a whole programme is implemented with long-term evaluation built in. This requires an effort to establish a base line of the initial situation and to follow through over the course of the programme. An example is the long-term evaluation of the Best Value regime for local government in the UK which was carried out over a period of five years by the responsible ministry (DETR) (Sanderson, 2002). The other approach is 'theory-based evaluation' which seeks to understand not only 'what works' but 'why it works'. The task of evaluation in this approach is to identify explicit or implicit theories or models of how policy interventions affect outcomes (Chen, 1990). This begins to connect the evaluation literature to the more general academic literature in the social sciences which has been performing theory-based analyses of social phenomena since the inception of the social sciences.

Despite the critique of pilot projects evaluation, in some cases pilot programmes have provided sufficient data for a robust impact analysis. In other cases 'natural experiments' can be identified in which some groups have been subject of a policy while others have not. This can happen when comparing experience across countries, for example. In this case a methodology has been developed to assess the effectiveness of policies known as the 'difference-in-difference' approach (DID). The key idea is drawn from medical control trials in which one group of patients is treated with a specific drug and another with a placebo. The difference in health outcomes in the treated versus the non-treated groups is measured and compared to the initial difference in health condition. The difference in these differences is measured and tested for statistical significance. The idea has been taken up in the evaluation of the effects of policies in the social field. Individuals involved in a policy intervention are viewed as a treated group, while those not covered by the policy are viewed as non-treated. The difference in before and after differences is the measure of the effectiveness of the policy. Hanushek and Woessmann (2006) use the DID approach to evaluate the effect of early tracking in schools on the level and distribution of student performance. Comparing across countries they conclude that early tracking increase inequality in achievement, while there is little evidence of efficiency gains. Bonhomme and Sauder (2011) use the DID approach to compare the effects of selective and non-selective schooling on children's test scores using British data from the National Child Development Study. They find that the better performance of selective schools relative to non-selective schools is essentially due to differences in the characteristics of pupils rather than the performance of the schools. A rare DID evaluation studies in the Western Balkans has been carried out in Serbia. Based on the findings of a survey carried out by UNDP, the evaluation study shows the active labour market programme "Beautiful Serbia" had only a small impact in generating new long term employment (Bonin & Rinne, 2006).

The policy process in transition economies

In transition economies there has been an enormous debate on the type and nature of institutional reform policies that have underpinned the transition from a state owned and managed economy to a market based economy. Institutional reforms in transition economies can be seen as the outcome of a policy process which involves a political struggle between pro-reform and anti-reform elite groups and political coalitions which have specific interests in the outcome. In the transition literature there has been a long debate about the relative influence of 'winners' and 'losers' on the transition process. According to one account, the potential losers from the transition process are likely to resist reform, and present the reform process with severe political constraints (Roland, 2002). The losers, including workers thrown out of their jobs as a consequence of the privatization and restructuring of state owned enterprises, may be mobilized into opposition to reform by members of the old elites, including managers of state-owned enterprises and the top echelons of the security establishment who prefer the status quo to radical reform. In order to minimize this opposition to reform, pro-reform leaders should ensure that economic reforms are accompanied by appropriate social reforms, and that a social safety net is established to compensate vulnerable groups for their losses (Kramer, 1997). Another view holds that it is the winners from reform that are the most dangerous opponents of reform progress (Hellman, 1998). The winners are the new elites who gain from the early stages of reform. They include managers of large privatized enterprises, politically well-connected tycoons who

gained privatized assets at bargain prices, media barons and directors of public institutions who owe their positions to political connections, and political leaders who represent these groups. According to this view, in a partially reformed economy, new elites establish monopoly positions that provide opportunities for rent-seeking, and they strive to prevent further reforms that would undermine their new privileges.

In a more general version of this type of approach, (Sabatier, 2000; Sabatier, 1988) identifies “policy subsystems” as a unit of analysis to understand the policy making process. A policy subsystem is a group of actors from a variety of public and private organisations actively concerned with a particular policy issue. Within the subsystem, the theory assumes that actors can be aggregated into a number of “advocacy coalitions” whose members share a set of normative and causal beliefs. Advocacy coalitions develop strategies and policy programmes in accordance with their beliefs in order to advance their policy objectives. Conflicting strategies can arise between advocacy coalitions for example in relation to specific reforms. Political conflicts over whether to introduce reforms or resist them are represented through such advocacy coalitions. Sabatier’s main insight is that such policy conflicts are often mediated by a third group of actors known as ‘policy brokers’. Each advocacy coalition brings different forms of evidence to bear in the debate over a policy. The policy broker is an agent or institution with the legitimacy to decide which body of ‘evidence’ is valid in legitimising the adopted policy.

Policy transfer

Governments frequently draw lessons from experiences in other countries in developing their own policies (Rose, 1993). In addition, policy may be transferred across national settings either voluntarily or on a more coercive basis. This ‘policy transfer’ approach has been developed by Dolowitz and Marsh who argue that policy transfer can take place through a variety of channels, at various levels of government, and through a variety of different agents of transfer, including central government, local government, international aid agencies and NGOs (Dolowitz & Marsh, 1996; Dolowitz & Marsh, 2000). While earlier studies emphasised the role of government-to-government transfers, Stone (2004) has emphasised the importance of policy transfers from international agencies to national governments, and the role of transnational policy networks. The concept of policy transfer is highly relevant in contexts of the complex systems of multi-level governance which can be observed in South-East Europe. The debate centres on the identification of different patterns of policy transfer, and the agents and networks through which the transfer takes effect.

The policy transfer literature has identified three issues that are of relevance to the issue of effectiveness of international assistance in the context of endogenous policy formation. The first is the extent to which policy transfer is voluntary or coercive. This issue has been debated in research into conditionality surrounding the EU enlargement process. An important question is how far the appearance of voluntary transfer based upon the mechanisms of participation, ownership and consultation in fact disguise more or less effectively the practice of coercive policy transfer, and how aid effectiveness differs when associated policy transfers are based on coercive or voluntary transfer processes.

The second issue concerns the sources of policy convergence and divergence. As Stone (2004) points out, much of the institutionalist literature suggests that policy convergence is likely to take place where structural factors such as globalisation, industrialisation, or - as in

the case of South-East Europe - Europeanisation, are driving the adoption of similar policies in different national settings. However, Stone warns against an overly deterministic approach and argues that there may also be significant scope for the force of agency in mediating the nature and effects of policy transfer. Indeed if policy is endogenous, and the policy transfer process is influenced by the principal-agent interaction between donors and recipients, then there is likely to be substantial scope for agency to affect the outcome of the process. In such a case, structural path dependencies may be overcome by agents' conscious decisions, so that policy transfer processes may lead to policy divergence rather than convergence. The interesting research question is then to identify the circumstances under which convergence or divergence may take place.

The third issue concerns the circumstances under which policy transfer leads to policy failure. Dolowitz and Marsh (2000) focus attention on three potential sources of policy failure. Policy transfer may fail because policies are uninformed by effective assessment and understanding of the local context, a situation which is likely to occur if policy design is too heavily influenced by the external donor organisation, and if the donor has interests which are not aligned with those of the recipient agency. Secondly, policy transfer may fail if the transfer process is incomplete, which can occur if there are conflicts among donor agencies concerning the correct policies to be transferred along with the financial assistance package. Thirdly policy transfer may fail if transfer is inappropriate which can occur for similar reasons to the case of uninformed transfer.

The policy process in the Enlargement countries

Political parties in the Enlargement countries are often closely related to the business sector. In some cases this amounts to a capture of the state by business interests, in other cases by the 'partyisation' of the business sector. Rarely do political parties have a comprehensive programme. Often a position as a government minister is seen as a way to promote one's own business interests. In some countries, pervasive corruption at high levels distorts the policy making process. In most Western Balkan countries there is no permanent civil service which could carry policy lessons from one administration to the next. Bureaucrats at a high level are often replaced when a new political party comes to power.

The example of skills policies

A main challenge to the development of skills gap analysis and corresponding policy design are the weak capacities of the government institutions including the employment agencies, underfunding of provision of training services by the state, inadequate certification and accreditation of skills, slow reforms of the education and training systems, slow reform of VET systems and qualification frameworks and a low level of in-house training by employers.

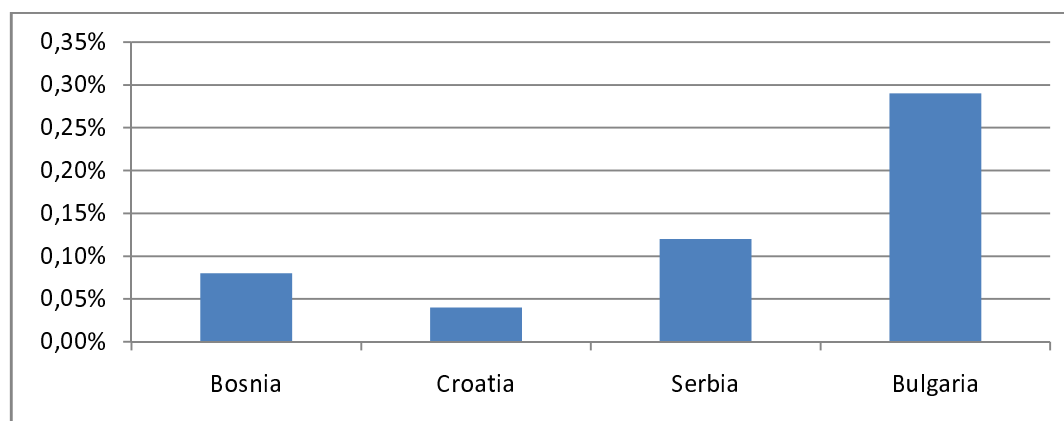
The VET sector is an example of a policy field in which it is difficult to introduce significant change. In the education sector trade unions are relatively strong and form a powerful advocacy coalition resisting policy reform. Despite many donor-funded projects, the VET curricula in most countries are out-dated. While transition has involved large scale structural change, the VET system has not adapted to provide the trained graduates that are needed by business. Moreover, there is a dearth of research-based evidence on which relevant policies could be formulated.

For example, in Montenegro there is a “lack of adequate research on the skills for which there is a widespread interest in the market, is constraint for education system in providing good offer or labour supply for labour market” (Golubovic, 2011). The Employment Agency has introduced a programme (“A Job for You”) to help people find jobs in northern Montenegro where unemployment is a severe problem. The programme includes several specific projects for different segments of the labour market and involves job subsidies and public works. Various programmes of vocational training, retraining and specialisation are offered by the Employment Agency in collaboration with local employment offices and VET centres mainly for disadvantaged people, but these are limited in scope. There appear to be no policy evaluations to determine the success or otherwise of the effectiveness of this policy. Although the Employment Agency carries out an employer survey to identify labour market vacancies, there is no wider evaluation of research evidence that is used to inform policy making.

Weak capacities and underfunding

The weak capacities of public employment services in transition countries in general to carry out policy evaluations of active labour market programmes has been noted by Johnstone (2006). The economic crisis measures that have been introduced throughout the region have involved caps on public sector employment in several countries. This has affected the ability of the institutions to carry out skills gaps analysis.

Figure 1: Proportion of GDP spent on active employment measures (% , 2008)



Source: Statistical Bulletin No. 2, Centre of Public Employment Services of Southeast European Countries

In addition to current restrictions on budgets, the field of employment and skills policy has been significantly underfunded for many years. As shown in Figure 1, the expenditure on active employment measures is lower in the Western Balkans than among neighbouring countries in the EU. There are therefore very limited funds available for retraining, and skills gap analysis is therefore needed to better target scarce funds to the creation of skills where gaps are most severe. For example in Serbia the National Employment Service (NES), has 2,000 employees of whom only five work in the Department of Statistics and Analysis. In 2009, the NES was required to dismiss 200 people due to the government’s austerity programme. The Department for Additional Education, which deals with matching needs on the labour market, has insufficient expert staff available to carry out skills gap analyses, while

the NES is unable to employ more analysts who could specialise in this area.

Certification and accreditation

There is a major problem of certification and accreditation in the region. In Serbia, for example, an unemployed person who takes a training course at an institution of adult education cannot be sure that the certificate is recognised by the government and will enable access to a job. The Ministry of Education is developing a law on adult education to address this issue. The current occupational classification dates from the 1960s, and while no new classifications have been developed many entirely obsolete ones have remained in the schedule. It is expected that by January 2011 new classifications for 600 occupations will have been designed and that a further 2,400 occupations will be tackled subsequently. Furthermore, two IPA 2007 projects on the National Qualification Framework (NQF) will assist the definition of occupations as well as qualification standards.

International agencies and policy transfer to the Western Balkans

Economic policy making in the Western Balkans is heavily influenced by policy transfer arrangements from numerous international organisations. Prominent among these is the European Union which has adopted increasingly stringent conditionality in relation to the European integration processes in the region under the provisions of the Stabilisation and Association process. EU conditionality applies to all the stages through which Western Balkan countries must pass in their process of EU accession. The standard accession conditionality, known as the Copenhagen criteria, includes provisions on the creation of functioning market economies, the ability to take on the obligations of membership, on democratisation, and having sufficient administrative capacity to implement the *acquis communautaire*. In addition to these, the Western Balkan countries must also adhere to additional conditions including full cooperation with the International Criminal Tribunal for former Yugoslavia, respect for human and minority rights, the creation of opportunities for refugees and internally displaced persons to return, and a visible commitment to regional cooperation. Most recently, specific short-term and medium-term reform goals leading towards harmonisation with the *acquis communautaire* have been set out in the European Partnerships devised for each country by the European Commission. The leverage that the EU is able to bring to bear to ensure that the desired policies are adopted is therefore substantial. It is monitored through its diplomatic presence in the EU Delegation offices in each country, and enhanced through its control over the disbursement of the IPA assistance programme. The effectiveness of EU policy transfer is limited by domestic administrative and cultural traditions, political leadership and domestic reform management (Eriksen 2007). Moreover, as Noutcheva (2009) argues, domestic actors have indulged in fake compliance, partial compliance or non-compliance with the EU's conditions. Such responses can readily be seen through the creation of various new EU-model government agencies throughout the region which have an essentially self-referential basis, and little impact on the real needs of their prospective clients. Moreover, the actual influence of EU policy transfer on policy practice should not be exaggerated (Fagan, 2010).

Another major external actor is the World Bank which has resident representatives installed in each of the Western Balkan countries in country offices with large research staffs involved

in advising on policy in a wide range of policy fields guided by Country Assistance Strategies. The World Bank carries out a large research programme in various social policy fields including employment, education, health, pensions and social assistance. Most recently it has produced a volume of research findings on vocational education and skills which is based on research in Macedonia as well as other transition countries (World Bank, 2011).

A third international actor in the region is the OECD Investment Compact (IC) which addresses mainly economic issues but has an interest in education and skills policies. It produces a regular research report known as the 'Investment Reform Index' which tries to benchmark countries according to peer performance on a range of issues related to the economic environment. It provides policy advice to governments on the basis of this research and through policy seminars held at the OECD Headquarters in Paris. The most conference of the Investment Compact for South East Europe has involved attention to the issue of workforce skills. The OECD IC sees its role as contributing to setting policy priorities in the SEE region. In early 2011, the Secretariat of the OECD Investment Reform Index requested 'country economic team leaders' to identify four to five policy priorities resulting from its most recent policy assessment. Project proposals related to these policies were debated at round tables in each country, and policy priorities were ranked. Governments were then invited to select a policy which would be funded by the EU Western Balkan Regional Competitiveness Initiative. However, governments did not always select the highest ranked projects, preferring instead their own 'pet projects' selected on the basis of unstated criteria. This example illustrates on the one hand how international organisations intervene in the policy process and how domestic actors are nevertheless able to bring their own opaque interests to bear on policy implementation. It is notable that the OECD policy analysis (assessments) is not subject to independent peer review, but reflects the OECD's internal analytical judgements.

A fourth major international policy actor in the region is UNDP which has country offices throughout the region. The UNDP promotes a social agenda with respect to poverty alleviation and support for disadvantaged groups. It carries out a number of policy related research projects through which it attempts to influence government policy in a large number of social policy fields. The UNDP has carried out numerous surveys on social conditions and the quality of life. One of the most recent is a survey of young people's transitions from education to work (UNDP, 2011). However, surveys such as these tend to be on-off affairs and there appears to be little attempt to conduct systematic reviews of the research literature.

All these international agencies are engaged in various process of policy transfer. These sometimes conflict, although there is a surprising degree of informal coordination in which each agency takes responsibility for a specific policy area. Nevertheless the need to respond to several different 'principals' in the process of policy design backed by substantial donor resource transfer often enables local administrations to engage in gaming of the various donors. This sometimes gives the appearance of inconsistency in policy design and weakness in policy implementation. It may also to some extent underlie the widely noted weak administrative capacity to which no amount of 'capacity building' or externally funded training programmes will provide a solution, since their origin is in more fundamental structural causes as described above, namely the multiple principals and the rational response of a domestic administration to their attempts at policy transfer.

Conclusions

The global economic crisis has had a significant impact on the Enlargement region through a sharp reduction in the inflows of external finance. Inflows of credit and foreign direct investment have dropped sharply and are unlikely to return to previous levels in the short to medium term. Euroization of debt, especially private debt, has created a situation in which it is difficult for countries to adjust exchange rates, and international competitiveness has suffered as a result leading to low prospects for export growth. Unemployment has begun to rise again, in a context in which high unemployment levels, long-term unemployment and youth unemployment were already significantly serious problems. Government have sought to restrict their government budget deficits with varying degrees of success, and it is clear that for years to come there will be little scope for large increases in government expenditure in the region. Turkey is an exception to some extent as it has weathered the economic crisis in better shape, but even there significant structural reforms are needed to support continued economic growth. These effects of economic crisis have highlighted the need for better policy making in the region, drawing far more than hitherto on better understanding of the causes of economic and social problems and better appreciation of the range of policy options and their relative chances of success or failure. This understanding can only be gained through a far greater use of evidence on 'what works and why' drawn from an engagement with the findings of policy-relevant research studies. It has to be acknowledged that such studies are relatively rare in the Enlargement region and so there is not an enormous evidence base on which to draw. Nevertheless, valuable lessons can be learnt from experiences in other countries, especially in the EU. However, there remains a substantial knowledge gap which can only be filled by additional resources devoted to well-designed research studies with research questions that are relevant to and informed by the needs of policy makers.

In recent years the case for greater attention to evidence based policy making has been accepted in many European countries and internationally. Although having a longer lineage, the use of EBPM has accelerated since the late 1990s with the pioneering efforts of the New Labour government which came to power in 1997. Although widely applied since then, although not always consistently, the approach has come under a concerted critique from policy analysts and specialists in policy studies. These have pointed out that policy making is not a rational linear process going from the definition of ends, the gathering of evidence, the formulation of a solution, and its implementation. Rather, policy takes place in a context of bounded rationality, in which political decisions are subject to conflicting pressures from advocacy coalitions and policy transfer from external agencies and institutions. Consequently, researchers and other 'policy brokers' need to better understand the policy process and engage in an informed dialogue with policy makers in order to form a realistic appreciation of what might be feasible in the context of the small incremental changes that policy makers are likely to find easier to implement than root and branch reform that might sometimes be suggested by a disinterested and abstract review of the available research evidence (the cases in which 'shock therapy' has been tried have mostly led to drastic negative unintended consequences).

Nevertheless, evidence based policy making techniques have a valuable role to play in improving the policy process in most countries, and as argued above could have an especially important role in the context of the Enlargement countries in the aftermath and continuing reverberation of the global economic crisis. In the paper I have outlined both ex-ante and ex-

post techniques of EBPM. The former focuses on the use of systematic review, while the latter on evaluation studies of various types. Whichever is chosen there needs to be a commitment from policy makers who initiate such studies to provide sufficient funding to gather the evidence and a sufficiently long-term perspective to take the findings into account in designing and implementing policy.

The paper has also discussed the specific nature of the policy process in transition countries and the difficulties of formulating rational policy during periods of rapid structural change in which the administrations have become politicised in which state capture by big business interests is common (Hellman, Jones, & Kaufmann, 2003) and in which the alternative scenario of partyisation of the business sector produces specific biases and interests in the formulation of policy which might be inimical to the use of the best available evidence put forward by researchers. In addition in the Enlargement countries, pervasive policy transfer often of a coercive nature is an additional constraint on rational policy making, and the conflicting advice received from multiple donors and external advisers only provides an incentive for playing the system and producing inconsistent policy formulas. It also goes without saying that weak administrative capacity for the development of EBPM is a significant problem, not confined only to those countries but also to developed countries where limited policy analytical capacity has also been observed. The widespread use of 'strategies' and 'action plans' in relation to externally-driven policy advice only underlines the weakness of the domestic policy community in the region in its ability to develop independent policy programmes based upon the best available research evidence. This suggests that there is significant scope for improvement in policy making through the use of EBPM techniques. Governments such therefore encourage the use of systematic review and ex-post evaluation of policy programmes and analysis of natural experiments where possible, while at the same time maintaining a realistic awareness of the dangers and distorting effects of the influence of advocacy coalitions, state capture and partyisation of economies. All these considerations apply equally in the case of VET policy, with the added element that reform resistance seems to be a widespread phenomenon even while structural change has produced an intense need for further reform to better align skills supply with the jobs which are available in the context of increased reliance on service sectors and of the pervasive effects of skill-biased technical change.

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