COMMENTS ON SESSION 4: REFORMING PUBLIC EXPENDITURE PROGRAMMES

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Let me start by thanking Banca d'Italia, and Daniele Franco in particular, for inviting me to be a discussant in this fourth session of the seminar, which is about public expenditure reforms. This is my first experience as a discussant. I will elaborate on the papers "Approaches to Financing and Managing Public Sector Investment in the UK" by Robert Woods and "Analysis of International Health-related Expenditure: Lessons for France" by Carine Bouthevillain and Karine Hervé.

These two papers focus on different public expenditure areas: health-related expenditure in the case of France and investment in the case of the U.K. They also offer different perspectives on reforming public expenditure programmes. I appreciated reading the papers and learned a lot from them.

Both papers provide a comprehensive overview of the theoretical literature on the topics. They examine the nature and the characteristics of public expenditure reforms in the context of macroeconomic development and in light of the issue of fiscal sustainability. As to the microeconomic dimension, the first paper evaluates the incentives that can be introduced in order to change the behaviour of patients, insurers, medical staff and drug companies; while the second one studies the efficiency and the effectiveness of public investment.

For the sake of brevity, I will not reiterate the principal conclusions or the specific arguments of the papers. However, I would like to note that the first paper individuates the factors underlying health-spending developments in France and in other countries, highlighting the need for change. The paper also provides an interesting overview of the reforms implemented in France. The second paper examines the efforts to improve the U.K. budgeting framework (*i.e.* medium-term budgeting and a departmental investment strategy) and the establishment of new institutions, like the Office of Government Commerce. The paper also illustrates the U.K. experience in introducing Public Private Partnerships. These reforms aim at improving the efficiency and effectiveness of public investment.

Following these introductory remarks, I would like to present a few points to consider for a better understanding of the ideas presented in the papers.

The first paper examines the many diverse health-care systems in the world and shows how none of them seems to have struck a perfect balance between the conflicting goals of effective care, equity, freedom of choice (for doctors and patients) and control of public spending. It notes that the failure to achieve any one of these goals produces specific problems: decreased health in the population, partial

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exclusion of the population from the health care system, long waiting lists for patients, in addition to public-sector deficits. The paper notes that the French health system favours equity, provides high-quality care and guarantees freedom of choice, but its downside is high public expenditure.

It would be illuminating to have these findings supported by relevant figures. In particular, what parameters were used to determine high-quality health care? Moreover, it would interesting to see how the theoretical context of health-care economics (e.g., information asymmetries, adverse selection and moral hazard) plugs into the main determinants of health expenditure. Lastly, I am a little confused about the indicators that were used as proxies for advances in medical science, such as the share of GDP allocated to research and development and the number of scanners. I think we need a new set of indicators to simulate the effects of capital-intensive health services on expenditure.

As to the second paper, it would be useful to understand why both public and private investment are still declining after the institutional change that took place in 1997. One of the figures in the paper shows an increase in PFI projects. It would be valuable to have data concerning the qualitative improvement and any change that occurred in the composition of investment.