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## Key Lessons

### 33. Speed

- *Large budgetary savings* from price-subsidy reform are difficult to achieve in the short run. Most countries have adopted a *gradual* approach.
- When reform is *gradual*, the government can reduce the likelihood of policy reversal and inadequate progress by *adopting and making public a detailed timetable* of reform measures.
- *Rapid* reform is feasible only when governments are *politically strong* and the *social disruption* from reform is assessed to be small. Reform can also be more rapid under *favorable exogenous circumstances*, such as low prices for imported staples.

### 34. Social protection mechanisms

- *Mechanisms for protecting the poor* should be established *before* the reform of generalized price subsidies is initiated and prices of subsidized items change.
- Compensation schemes that protect households from real income losses should be *temporary*, to be replaced with permanent social policy instruments.
- Using *income* for targeting benefits in developing countries and transition economies is often not a practical option in the short term. Targeting benefits to *households with specific characteristics* can be relatively efficient in certain cases.
- The choice among targeting options can be severely constrained by *lack of data on the poor* and by *weak governance and administrative capacity*. *Self-targeting* may remain the only feasible option.
- *A generalized subsidy limited to, or below, the amount consumed by the poor* protects both the poor households as well as politically vocal groups, while generating budgetary savings.

### 35. Political disruption

- The *risk of political disruption* is highest when *rapid reform* is attempted without *credible social protection mechanisms*, and the government is unpopular.
- Governments should be encouraged to adopt the *stakeholder approach to reform*, thus avoiding an undue burden on any single group, and *initiate mass information campaigns* for explaining to the public the benefits of price-subsidy reform and the working of social safety nets.