

Institutional Diagnostic Tool

The objective of the Institutional Diagnostic is to design an ‘institutional diagnostic’ tool that will **permit policy-makers to identify weak institutional areas that restrict development, and indicate appropriate directions for reform.** The institutional diagnostic tool was originally inspired by the ‘growth diagnostic’ tools developed by Hausmann, Rodrik and Velasco, but is meant to go beyond this by focusing on the institutional weaknesses responsible for binding economic restrictions. In this research endeavour, ‘institutions’ are broadly defined as the ‘formal or informal rules of the game expected to be followed, individually and collectively, by political, social and economic actors’. As such, they touch upon a variety of areas – political, judicial, economic, cultural, religious, etc.

Developing a growth-oriented institutional diagnostics toolkit which can be practically applied to analyse, and propose reforms for, binding institutional restrictions on economic development is a complicated endeavour. The main difficulties arise from: a) the multiplicity of institutions that may affect economic development; b) their tight link with the structure and nature of political power, which has to be considered as given; and c) our imperfect understanding of the functioning and evolution of institutions together with economic mechanisms and economic development. For these reasons, it was not reasonable to design an institutional diagnostics tool *a priori*; instead, the methodological approach has been heuristic and necessarily based on case studies, starting with Tanzania, in the expectation that some general diagnostic tool will emerge from the juxtaposition of these studies.

The RA2 research activity is managed in line with the overall objective of EDI: *to produce a body of evidence and insights into what practicable actions produce institutional changes that improve economic outcomes and increase growth.* There is an emphasis on ensuring the research has clear operational relevance and has a strong practical focus, with the vision of being both high in academic quality and influential in terms of policy reform debates and initiatives. We have outlined the methodology and research process for the Tanzania Institutional Diagnostic.

Economic Development and Institutions



Institutions matter for growth and inclusive development, but there is little evidence on how positive institutional change can be achieved. The Economic Development and Institutions (EDI) research programme will fill this knowledge gap, and take an innovative approach to ensuring world-class research is translated into positive policy change.

One unique aspect of this programme is its focus on policy engagement. The research team will seek to reflect policy ‘demand’ when defining research questions and engage key decision-makers throughout the course of the programme. This will involve listening to the challenges encountered by in-country policymakers and looking out for opportunities to engage with and support ongoing reform processes.

Approach

Stage 1: Identification and justification of institutional areas

This general analysis is comprised of an economic diagnostic of national development performances, a statistical analysis of institutional and economic indicator databases, a comparative analysis of opinion polls, and a collection of expert opinions through a combination of key informant interviews and a small, cross-sectional survey of policy stakeholders.

Stage 2: Deep-dive thematic studies into key restrictive institutional areas

From the general analysis, five institutional areas are identified as being particularly restrictive for economic development in the focus country, thereby warranting deeper analysis. The areas are: i) the relationship between politics and business; ii) land rights; iii) institutional blockages in the power sector; iv) civil service; and v) state coordination. Further analysis is done by combining both national and international expertise in each thematic area, each of which has a lead author (or team of authors) and a discussant.

Stage 3: Integration of findings and proposals for potential institutional reforms

Stage 3 of the study is focused on integrating findings across the general analysis and deep-dive thematic studies and developing proposals for potential institutional reforms. The ambition is to combine the results of Stages 1 and 2 to propose a set of practical reforms.

Stage 4: Dissemination of findings

Stage 4 brings together the results of the full study for dissemination to policy stakeholders. Dissemination activities include general dissemination through a conference-style event, to include current policymakers and incumbent governments, opposition parties, social movements, NGOs, donors and civil society more broadly, as well as targeted meetings with key stakeholders.

The Tanzania Institutional Diagnostics will culminate in a volume describing the results from each phase of the study. François Bourguignon is the study lead and co-editor alongside Sam Wangwe. The volume outline is given below.

Tanzania institutional diagnostics

Co-editors: François Bourguignon (Paris School of Economics) and Sam Wangwe (DAIMA Associates)

General management: Katie McIntosh (Oxford Policy Management)

External advisers: Governor Benno Ndulu (Bank of Tanzania), Honourable Warioba (NW Associates), Godson Nyange (NW Associates)

Introduction (François Bourguignon and Sam Wangwe)

I. The context: Historical, economic and political background – François Bourguignon

II. Mechanical diagnostics tools

- i. Comparative analysis based on institutional indicator databases – François Bourguignon and François Libois (Paris School of Economics)
- ii. Experts' opinion survey
 - a) Decision-maker opinion survey – François Bourguignon, François Libois and Abel Kinyondo (REPOA)
 - b) Summary of high-level expert interviews – François Bourguignon
- iii. Institutional implications of existing 'growth diagnostics' and similar exercises – François Bourguignon
- iv. Identification of major institutional areas for in-depth study – François Bourguignon

III. Thematic studies

- i. The relationship between politics and business – Sam Wangwe
With discussion by Hazel Gray (University of Edinburgh)
- ii. Land rights – Ringo Tenga (University of Dar es Salaam) and Alphonse Tiba (University of Dar es Salaam), with discussion by Klaus Deininger (World Bank)
- iii. Institutional blockages in the power sector – Anton Eberhard (University of Cape Town) and Catrina Godhino (University of Cape Town), with discussion by Antonio Estache (Université Libre de Bruxelles)
- iv. Civil service – Rwekaza Mukandala (University of Dar es Salaam), with discussion by Jan-Willem Gunning
- v. State coordination – Servacius Likwelile (REPOA), with discussion by Jan-Willem Gunning (Free University Amsterdam)

IV. The Tanzania institutional diagnostics

The concluding chapters will include a synthesis of the brainstorming workshop where drafts of all preceding chapters will be discussed – François Bourguignon and Sam Wangwe.