

Benin Institutional Diagnostic Overview

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 Benin 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 for Benin

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 cross-sectional survey of policy stakeholders and key informants in various institutional areas. An important element in the development of this general analysis relates to the organisation of engagement workshops. In particular, two workshops (with academic and policy makers, respectively) were held in Cotonou in August 2017. They had a dual objective: a) discussion of a preliminary draft of a background paper with local academics and b) early engagement with policy makers, civil society, private sector, and other key stakeholders to identify key institutional constraints. This allowed policy engagement from the beginning, increased confidence in and reliability of collected information, assessment of the availability of people to meet for the survey as well as the collection of additional opinions of key stakeholders.

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

From the general analysis, a number of institutional areas are identified as being particularly restrictive for economic development in Benin, thereby warranting deeper analysis. Currently, we define the following five critical institutional areas, which could be refined later when we have completed a detailed analysis of data derived from the expert opinion-survey. These are: i) the regulation of dominant economic sectors; ii) infrastructure maintenance: interactions between central and decentralized authorities; iii) weak governance in the public administration: inconsistent political choices, poor coordination, and discontinuity of political choices; iv) modernising the informal sector: access to external finance, quality control, and value creation; and v) informal institutions: mistrust and weak leadership. 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 Benin Institutional Diagnostics will culminate in a volume describing the results from each phase of the study. Romain Houssa is the study lead. The volume outline is given below.

Volume Outline: Benin Institutional Diagnostic

Co-editors: Romain Houssa and other to be confirmed later

General management: Tatiana Goetghebuer (Aide à la Décision Economique, ADE)

External advisers: François Bourguignon, Alexandre Biauou, Alain Babatoundé, John Igué, Mathias Hounkpe, Sebastien Sotindjo, Léonard Wantchekon, Paul Reding, and Etienne Yehoue

Introduction (Romain Houssa and co-authors to be confirmed)

- I. Socio-cultural, political and economic history of Benin
- II. Economic performance of Benin (1960 – 2017)

Mechanical diagnostics tools (Romain Houssa and co-authors to be confirmed)

- I. Comparative analysis based on institutional indicator databases
- II. Experts' opinion survey
- III. Institutional implications of existing 'growth diagnostics' and similar exercises
- IV. Identification of major institutional areas for in-depth study

Thematic studies (to be confirmed once survey analysis results available)

- I. Regulation of Dominant Economic Sectors (author to be confirmed)
Discussion (author to be confirmed)
- II. Infrastructure Maintenance: Interactions between central and decentralized authorities (author to be confirmed)
Discussion (author to be confirmed)
- III. Weak Governance in the public administration: Inconsistent political choices, poor coordination, and discontinuity of political choices (author to be confirmed)
Discussion (author to be confirmed)
- IV. Modernisation of the informal sector: Access to external finance, quality control, and value creation (author to be confirmed)
Discussion (author to be confirmed)
- V. Informal Institutions: Mistrust and Weak Leadership (author to be confirmed)
Discussion (author to be confirmed)

The Benin institutional diagnostics

Concluding chapter with synthesis of brainstorming workshop, including reform proposals, and discussion of all preceding chapters (Romain Houssa and co-editor to be confirmed)