

Economic Development and Institutions: Year in Review 2017

28 February 2018

The Economic Development & Institutions (EDI) research programme completed its first year of implementation in 2017. The year marked strong progress on this innovative initiative which seeks to ‘produce a body of evidence and insights into what practicable actions produce institutional changes that improve economic outcomes and increase growth.’

EDI features four [Research Areas](#), each with a different approach to research into institutions, and crosscutting initiatives for communications and policy engagement. EDI is managed by Oxford Policy Management (OPM) in a consortium with the Paris School of Economics (PSE), the University of Namur (UNamur) and Aide à la Décision Economique (ADE). It works with world-leading researchers.

Path-finding papers

EDI commissioned 23 [path-finding papers](#) from international experts during inception in 2015-2016. They are expected to be published in a Handbook-style volume in 2018. The papers synthesise existing evidence on a range of topics, and identify knowledge gaps that provide the focus for the emerging EDI research agenda.

The papers also explore the definition of ‘institutions’. Building upon the studies and existing literature on institutions, EDI’s scientific committee members Jean-Marie Baland, François Bourguignon, Jean-Philippe Platteau and Thierry propose an original perspective (2017, publication forthcoming):

‘We conceive of institutions as rules, procedures or other human devices that can constrain individual behaviour, either explicitly or implicitly, with a view to making individual expectations about others’ behaviour converge and to allowing individual actions to become co-ordinated.’

Economic Development and Institutions

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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.

This fresh perspective, which is under development, helps map the changes in institutions onto phases of structural transformation of an economy as it develops. It links to the two key research themes the path-finding papers identified: 1) the dynamics of institutional change; and 2) the interactions between institutions. This underpins the institutional diagnostic and other research that EDI pursues.

Institutional diagnostic tool

The objective of the institutional diagnostic is to design a tool that will permit policy-makers to identify weak institutional areas that restrict development, and indicate directions for reform. This was inspired by the “growth diagnostic” tools developed by Hausmann, Rodrik and Velasco¹, but is meant to go beyond this by focusing on the institutional weaknesses responsible for binding economic constraints.

EDI takes a pragmatic approach to developing the institutional diagnostic tool through a series of five country pilots. The first country is Tanzania, on which EDI published a [Tanzania institutional diagnostic overview paper](#) in September 2017. Initial results were discussed during a [workshop in Arusha](#) in January 2018 and the final diagnostic will be published in autumn 2018. Benin is the second country study, with a [Benin institutional diagnostic overview paper](#) published in February 2018. Work on the third country study, Bangladesh, starts in 2018.

Linked randomised control trials

The randomised control trials (RCT) component of EDI identifies policies planned to be implemented by developing country governments that: (i) are amenable to study by RCTs; (ii) have the potential to alter institutional arrangements in ways that are supportive to economic growth; and (iii) are linked with other studies allowing for more generalizable conclusions than would be the case for any one RCT.

These are original and challenging criteria for academically excellent RCTs to meet. OPM collaborates closely on delivery with the [Center for Effective Global Action](#) (CEGA) at the University of California Berkeley. A [white paper](#) provides a review of the existing literature. Six Full-Scale and eleven Pilot RCTs were selected in a competitive [first request for proposals](#) in 2017. A [second request for proposals](#) concluded in February 2018 with the selection of an additional eight Full-Scale and five Pilot RCTs.

Case studies

Research under this activity focuses on changes in institutions over time, in particular better understanding changes in the interaction between formal and informal institutions, and their effect on a range of outcomes. It will be highly complementary to other research activities and seeks to fill the research gaps identified by the path-finding papers.

EDI commissioned twenty case studies following a first request for proposals in 2017 across three themes: 1) private sector and the institutional environment; 2) bureaucracies and state systems; and 3) informal social agencies (family, gender and conflicts). In February 2018, applicants submitted proposals for a second request for additional research. Selection will be completed in spring. Together, the case studies, control trials, diagnostic and path-finding papers – complemented by policy briefs and events – will underpin EDI’s impact on practical policy solutions that enhance economic growth.

¹ Hausmann, R., Rodrik, D., Velasco, A. (2005), <https://growthlab.cid.harvard.edu/publications/growth-diagnostics-0>