

Appraising institutional challenges in the early stages of development

Introduction to part 2

March 2022

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About Economic Development & Institutions

Institutions matter for growth and inclusive development. But despite increasing awareness of the importance of institutions on economic outcomes, there is little evidence on how positive institutional change can be achieved. The Economic Development and Institutions – EDI – research programme aims to fill this knowledge gap by working with some of the finest economic thinkers and social scientists across the globe.

The programme was launched in 2015 and will run until 2022. It is made up of four parallel research activities: path-finding papers, institutional diagnostic, coordinated randomised control trials, and case studies. The programme is funded with UK aid from the UK government. For more information see <http://edi.opml.co.uk>.



Introduction to Part 2

At the core of the institutional diagnostic project is the idea that we can gain more knowledge about the role of institutions by undertaking in-depth country case studies than by carrying out broad quantitative exercises based on a large sample of countries. The reasons behind this research strategy have been explained in detail in Chapter 2. We believe that any institutional analysis that ignores the precise context in which institutions operate is destined to generate only limited insights. The value of large data-based cross-country exercises is essentially exploratory, while the relevance of more sophisticated exercises that overcome the problem of causality – micro-historical studies using regression discontinuity and similar methods in particular – is all the greater as they are seen as complementary efforts to the sort of investigation conducted in this book.

In-depth country case studies not only have the advantage of throwing light on the conditions and circumstances that form the context in which development policies must be understood, but they also enable us to get a grasp of the dynamic processes under way. Policy decisions and institutional choices can thus be analysed in their context and in the light of the dynamic of their succession over time, in the form of a series of steps that could help consolidate a rather well-defined development trajectory or correspond more to strides ahead followed by backward moves, or to temporally inconsistent paths. Clearly, this sort of dynamic analysis necessitates a political economy approach in the sense that institutional choices are not seen as the simple outcomes of decentralised decisions by a multiplicity of private actors, but rather as outcomes decisively influenced by political actors or state agents who have their own preferences and interests (see Chapter 1).

To the six country case studies presented below, we apply the institutional diagnostic approach outlined in Part 1. They therefore provide us with many opportunities to test its pertinence. As explained earlier, four country case studies are original: they rely on our own in-the-field investigations of many aspects of their institutional setup and their contexts, both static and dynamic. The countries selected for this purpose – Tanzania, Benin, Bangladesh, and Mozambique – are not trapped in the rather extreme situations of the so-called fragile countries. They offer hope and potential for development, and their study is therefore capable of highlighting the extent to which, and the ways in which, critical institutions may propel or constrain development. The other two countries that will receive our attention, South Korea and Taiwan, are different since they have already completed their take-off into sustainable development and have done so in a remarkably short period of time. Because of this performance and the important contributory role of successful institutions, we wanted to revisit their experiences in the light of our institutional diagnostic approach. Here, instead of in-the-field investigations, we rely on the available literature.

The above case studies are presented in the following order: Benin and Tanzania (Chapter 3), Mozambique and Bangladesh (Chapter 4), South Korea (Chapter 5), and Taiwan (Chapter 6). The reason why we devote less space to the former four countries is that, as has been pointed out earlier, each of them is the object of a separate book and the final chapters of these books offer synthetic analyses on which the present accounts could be anchored.